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MONARCHICAL SOCIALISM IN GERMANY

BY

ELMER ROBERTS

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MONARCHICAL SOCIALISM IN GERMANY

I

STATE-OWNED ENTERPRISES

THE motive of this writing is to convey some notion of the extent in which the associated monarchies, forming the German imperial state, are engaged in profit-yielding undertakings that in other states are usually left entirely to persons and companies, and also to give some account of other social and economic experiments. Americans are acquainted with the aims of the Social-Democratic party, the revolutionary socialism of Germany, with four and a quarter millions of voters, organized, irreconcilable, aflame with zeal. That might be called the paper socialism in Germany. Perhaps "paper socialism" is too light a phrase to use toward a force so formidable and so implacable. It is, however, the doctrinaire socialism of Ger-

many that has not yet passed a law, nor administered a parish. The socialism in being, the only collective ownership of mines, railways, lands, forests, and other instruments of production, is monarchical socialism, existent by acts of the crown in co-operation with conservative parliamentary majorities.

The imperial government and the governments of the German states took profits in 1911 from the various businesses conducted by them, of $282,749,224. Estimating the capital value at a 4 per cent ratio, the value of the productive state-owned properties is $7,068,729,600. Roundly, the governments operate dividend-yielding works, lands, and means of communication worth $7,000,000,000, and the governments continue to follow a policy of fresh acquisitions. Taking the federated states together, 38 per cent of all the financial requirements for governmental purposes were met last year out of profits on government-owned enterprises. Including the imperial government, a new-comer with relatively few possessions, about one-quarter of all the expenses of the state and the imperial governments for the army, the navy, and for all other purposes, were paid out of the net profits on government businesses. Among the under-

takings are no tobacco, spirit, or match monopolies.

The miniature ducal monarchy of Schaumburg-Lippe, with a population of 44,992, and an area of 131 square miles, made $12,008 from property owned collectively, or 5 per cent of the requirements of the state. The still smaller principality of Reuss, the elder, with 122 square miles area, and a population of 70,603, has an income of $10,000, the smallest actually, and the smallest in proportion, of any of the German states. The little neighbor of Reuss, Schwarzburg-Rudolstadt, has $350,000, or close to one-half all the public requirements, derived from state domains and mines. Schwarzburg-Sonderhausen draws 33 per cent of the budget from farms and forests; Oldenburg, 22 per cent; Mecklenburg-Strelitz, 49.14 per cent. But it is the great states of the empire where state management of large properties shows the more important results. Bavaria pays 39 per cent of all the administrative costs from public-owned properties; Saxony, 31 per cent; Würtemberg, 38.7 per cent; and Prussia, 47.36 per cent. Prussia, which forms about five-eighths of the empire, has a constantly increasing revenue from state-owned enterprises, which yielded, in 1911, net returns

of about $178,000,000, or more than twice the state's income from taxes, which was $85,452,000; the average income from taxation per capita was 18.1 marks; while the average per capita taken in taxation was 8.7 marks. In that year the state, owing to extensions in canals, railways, and other public works, raised by loans what amounted to an average per capita of 7.1 marks. The state income from public properties amounted to somewhat more than the total income from taxation and from borrowings. The railways were the largest source of income, and netted $151,782,000, or about 8 per cent on the total invested by Prussia in its railway system since the state began to buy and build railways, in 1848–49. Prussia derived from other sources, from its crown forests, the leased farms, the iron, coal, potash, salt, and other mines, the porcelain factories, banking, and a variety of less important industries, $27,200,000. The policy of Prussia, which dominates the empire, is strongly in the direction of increasing the participation of the government in industrial enterprises. The Prussian legislature, acting upon a recommendation of the Emperor, in the speech from the throne at the opening of the diet in 1906, passed a bill extending widely an old act, giving the

state the right to take over at a valuation any discovery of mineral riches on private lands.

German manufacturing and mining is rather more completely under the control of combinations than is the industry of any other country. The closely organized syndicates in the coal and iron industries control production and selling prices more effectively than does the United States Steel Corporation in the United States. The Prussian Government, in its desire to have a seat in the coal syndicate, determined five years ago to buy a controlling interest in the shares of the Hibernia Coal Company, mining 7 per cent of the coal in the Rhine-Westphalian region. The Dresdner Bank, acting under a private arrangement with the Prussian treasury, bought shares on the stock-exchange until a majority of the capitalization had been acquired. The announcement that Prussia had bought the control of the company so vexed the group of coal-owners who had previously ruled the company that they increased the capitalization, and issued the new shares to themselves, thus reacquiring a majority. The Prussian Government brought a suit to pronounce the new issue illegal, but since the intermediate courts and the supreme court of the empire have decided against

the Prussian contention, the matter has been dropped, so far as the Hibernia Company is concerned. The policy of Prussia remains unchanged, and further efforts, it is publicly understood, will be made by the government to obtain a vote, not only in the coal, but in the steel and other master syndicates. The theory of the Prussian cabinet and the crown is, that it is for the interests of the people that the state should take part in industrial combinations that undertake to regulate the prices of articles, or the production in any industry. Public opinion supports this principle.

Besides the productive ownerships of the empire, and of the individual states, the cities of Germany have gone deeply into street railways, gas, electricity, water-works, slaughter-houses, market halls, cold storage, canals, and wharfs. Thus the republic of Lübeck pays 18.29 per cent of its expenses from such sources, Hamburg, 4.25 per cent, and Bremen, 6.07 per cent. It is a fact of some interest that the republics among the states of the empire are far more backward in communal ownership than are the monarchies.

A summary of the government-owned properties and the income derived from them is subjoined:

	VALUES	INCOMES
Farms	$198,122,725	$7,925,309
Forests	730,898,200	29,235,928
Mines	128,907,725	5,116,309
Railways	4,757,579,750	191,943,190
*Telegraphs *Telephones *Express packages *Mails	694,816,650	27,792,666
Other works	435,184,900	17,407,476

*These services are government monopolies.

Upon no department of industry do any of the state governments lose except upon steamers. The grand duchy of Baden runs its internal navigation lines at a loss of about $15,000 yearly. Saxony, Würtemberg, and Mecklenburg-Schwerin gain on their lines some $7,000 annually, so that on the whole of the state-owned steamer lines there is a loss of $8,000.

This structure of collective ownership, which I have called monarchical socialism, rests upon a way of thinking in Germany which differentiates the social and political conditions there from those of any other great industrial state. The representatives of the monarchical principle in association with the conservative classes have accepted this way of thinking, and it has entered into the very texture of their ideas of govern-

ment, and is supported by the great orthodox economists, such as Schmoller and Wagner. The policy of acquiring and managing industries, lands, mines, and means of communication by the government is so vital and living a part of the German empire, the subordinate states, and the parishes, that it is slowly making Germany fundamentally different industrially and politically from the United States, Great Britain, France, or any country that comes into comparison with Germany.

The American or the Englishman, when talking with a German about social or political questions, finds that he and the German are looking at things from different basal conceptions of the functions of government. The Englishman has that background of eight centuries, during which his race has developed individual liberty, and has given free political institutions, or some form of them, to all other modern states, including Germany. A social system has been developed whose key-idea is to give the citizen free play to his individuality. The system has worked well and continues to work in the United Kingdom, the great British colonial states, and in America. The German, while modified by the individualist school of thinking, has grown up among a differ-

ent order of ideas prevailing on the Continent, derived in part from Roman law and from autocratic monarchical practice. The individual has had a less important place in the organism. The strength, welfare, and health of the whole has been the ruling conception. Hence it was possible for an enlightened society, such as that in France, to have a vigorous sincere party urging, during the Dreyfus trial, that it were better for an individual to suffer wrong than for the state to be weakened by loss of respect for the French army. The English point of view would be that it were better for a state that could not give an individual justice to perish in the endeavor to do so than for society to maintain prestige for an institution through a disregard for the rights of one person.

The Hohenzollerns in Prussia, and the monarchies in the minor German states, in dealing with the pressure of their peoples for greater political rights, took into full consideration the economic reasons that caused political fermentation. The monarchies gave a progressively better administration, and undertook the responsibility of protecting the weaker members of society against economic misery. The so-called Prussian common law, as modified by Frederick

William II, promulgated July 1, 1794, condemned idleness, recognized the right of every subject to work, and defined the state to be the protector of the poor. The common law proclaimed:

I. It is the duty of the state to provide for the sustenance and support of those of its subjects who cannot obtain subsistence for themselves.

II. Work adapted to their strength and capacities shall be supplied to those who lack means and opportunity of earning a living for themselves and those dependent upon them.

III. Those who, from laziness, love of idleness, or other irregular proclivities, do not choose to employ the means offered them of earning a living shall be kept at useful work by compulsion and punishment, under proper control.

VI. The state is bound to take such measures as will prevent the destitution of its subjects, and check excessive extravagance.

XV. The police authority of every place must provide for all poor and destitute persons, whose subsistence cannot be insured in any other way.

This fundamental law, supplemented by the Stein-Hardenberg legislation of the second decade of the last century, was the foundation upon

which Bismarck stood, when, on May 9, 1884, in speaking upon industrial insurance, he proclaimed the doctrine of the right of work:

"Give the workingman work as long as he is healthy, assure him care when he is sick, insure him maintenance when he is old. Was not the right to work openly proclaimed at the time of the publication of the common law? Is it not established in all our social arrangements, that the man who comes before his fellow-citizens and says, 'I am healthy, I desire to work, but can find no work,' is entitled to say also, 'Give me work,' and that the state is bound to give him work?"

"But large public works would be necessary," exclaimed an opponent.

"Of course," replied Bismarck. "Let them be undertaken. Why not? It is the state's duty."

The Bismarckian policies, carried out with the full approval of the old Emperor, and by conservative majorities in the Prussian legislature and the imperial parliament, have left as deep an impression upon the social life of Germany as his part in the unification of Germany. Modern Germany began with him to abolish pauperism, to make ordered provision for indigent old

age, the sick, and the disabled. Poverty is abundant in Germany, but it does not shade off so quickly into pauperism next-door to starvation as it does in the United Kingdom and in some American cities. The poverty is one that can, with self-respect, receive medical aid or maintenance of right from funds to which it has contributed, and will continue to contribute. These measures, while quite a separate chapter from state participation in industry, are interrelated, because both are consequences of the dominant school of political thinking that finds stability and health for society through the state sharing in business, and in compulsory provisions against the social maladies of pauperism and the unemployed.

The aim of the government in its policy of acquisition and control of mines, of communication and transport, and of sharing, to some extent, in all production whether agricultural, mineral, or industrial, is not primarily to raise revenue. The declaration of Bismarck upon the subject of state ownership of railways continues to be true. He said:

"I do not regard railways as in the main intended to be an object of financial competition; according to my view, railways are intended

more for the service of traffic than of finance, though it would, of course, be foolish to say that they should not bring financial advantages. The surpluses which the states receive in the form of net profits, or which go to shareholders in the form of dividends, are really the taxation which the states might impose upon the traffic by reason of its privilege, but which, in the case of private railways, falls to shareholders."

The state railway systems of Germany are managed upon two general principles. First, they are to serve the general interests of domestic and external trade, and second, they are to show a satisfactory profit. The Prussian railway administration in 1910 lowered its regular freight tariffs for 66 per cent of the traffic, in order to serve the exigencies of trade, especially export trade, during a period of commercial depression. The government is in a position in Germany to influence the whole machinery of trade and transportation as no other government in the world can do, and this fact must be taken into account when other peoples think of competing on equal terms with the Germans in the Far East or in South America.

The administration of the railways, telegraphs, telephones, mines, and the public do-

mains by the state is possible only through trained civil servants. The efficiency of state-managed mines and factories in competition with privately owned enterprises in Germany comes from the character of the bureaucracy. This permanent civil service is one of the greatest glories of Germany, and one of the most powerful of reasons upholding the monarchical principle in a semi-autocratic form in Germany. The Prussian bureaucracy, the model of the other German states, is the creation of the Hohenzollern family during three centuries. It had been developed and improved under all the efficient sovereigns of the Hohenzollern line, such as the Great Elector and Frederick the Great, and it has been a principle of the private policy of the Hohenzollern family to rule through a body of civil servants, whose place in the state is as honorable as that of the army, or perhaps it would be more just to say as ranking next to the army. The non-partisan administrative body, with its own disciplinary courts for cutting out of the public service any member who uses his official position to favor a private interest, either his own or that of another, has kept the civil service up to a code of honor that can be compared in the United States only to the codes

regulating the army and the navy. Thus in Germany a public servant, because of the power that his class possesses, the personal distinction, and the social position that go with the public service, is willing to work for the state for less than he could receive in the service of a private company. The chiefs of technical bureaus in the mining, agriculture or forestry, telegraph, telephone, or railway services, are paid from $1,750 to $3,000 a year. The director-general of the Alsace-Lorraine railways is paid $3,375, and an allowance for house-rent. District superintendents on the Prussian lines, each of whom has supervision over from 1,500 to 2,000 miles of line, are paid $2,750 a year, with free dwellings. It frequently happens that men in the government service, of unusual capacity, reject offers from private concerns of two or three times the salaries they are receiving. The officials who decline such proposals have the same feeling about them that a United States army engineer would have. His pride in the service, the sense of usefulness to the country, the social consideration shown to his service, and the certainty of being promoted regularly, and of having a pension upon his retirement, make the public service more attractive than a private one could be.

The present Emperor has the passion for efficiency which was the most eminent quality in Frederick the Great. The Emperor trusts, and in every possible manner honors, the civil servant who has done an exceptional thing. As Mr. Bryce says of Frederick, it was not enough for this great man that a thing was well done, but that it must be done in the best possible manner. The qualities and the efficiencies that are required of the bureaucrat have made it possible for the German Emperor as King of Prussia to retain his autocratic power in the state during a period when democratic government has ruled the great neighboring states, with the exception of Russia, and during a period when Germany has made its greatest advances in culture and in industry.

II

GERMAN RAILWAY POLICY

THE non-German trading upon a frontier of the world has the uneasy sense that in competing with the German he is opposing not an individual but a nation. The American in the Levant, South Africa, or the Far East may be supported by a corporation powerful at home, with wide-spread alliances, yet he becomes dimly aware that while he after all only represents an individual company, somehow behind his German competitor is the German nation in a real and co-operating sense. It is the interaction of government and business, the conscious adjustment by directing mind of one part of national endeavor with another, that makes possible much of the narrative of trade conquest told quarterly in the thin brochures of the imperial statistical office. Tasks of statesmanship in German ministries, next to those of administration, concentrate on contributions to the national trade policy. The Prussian ministry of education has reduced the unskilled within

twenty years from about one-third of the industrial army to one-tenth by directing boys toward learning trades and by providing specific instruction. The protection and extension of trade spheres have become the vital principle of foreign policy. Questions of prestige and delight in playing the game for its own sake have become secondary. Diplomatic controversies of this century, those settled and those pending, in Turkey, China, Morocco, Persia, relate to trade opportunities. The friendly attitudes of the imperial and Prussian Governments toward syndicates and other trade combinations rest upon trade considerations. The convincing argument for the navy is security for the sixteen billions of marks planted fruitfully abroad. An inquiry into each of these divisions of trade policy would be instructive, especially those concerning friendship with the syndicates, the measures taken to have boys and girls grow up into skilled instead of raw workers, and the benefits that science has given to technique. But in examining the German system with a purpose to understand how it comes about that foreign trade, taking good years with bad, has advanced $113,000,000 each twelve months since 1897, the imperial government's use of the private and state-owned rail-

way has been to me the most amazing and full of meaning.

While the imperial government is not itself a large railroad-owner, it has unified the policies and the charges upon the state and privately owned lines of the empire so that so far as the shipper perceives he is dealing with one transportation system whether the point of origin is on a line owned by one of the thirteen private companies or by Prussia, Bavaria, Baden, Würtemberg, Saxony, or by the empire in Alsace-Lorraine. The control of the rates is centralized under the Bundesrat, the Senate as it were, consisting of members appointed by the governments of the twenty-five individual monarchies and republics of the empire. The Bundesrat from time to time calls a "general conference" for regulating railway rates. The railways have voting powers in the conference according to mileage as follows: up to 50 kilometres (31 miles) one vote; above 50 and up to 150 kilometres (93.2 miles) two votes; from 150 kilometres to 300 (186.4 miles) three votes; beyond 300 and up to 500 kilometres (310.7 miles) four votes, and for each additional 200 kilometres (124.3 miles) one vote more. Business for the general conference is prepared by a permanent rate commis-

sion with representatives from fourteen railway boards. A subdivision of membership called the Trader's Committee is made up of five representatives of agriculture elected by the combined agricultural chambers of the empire, five representing the manufacturing interests, and five the distributing commercial interests. The two latter classes are elected by the chambers of commerce of the country acting together. These fifteen and a member appointed by the Bavarian Government recommend to the permanent commission authoritatively, especially in adjusting rates equitably among zones of traffic into which the empire is apportioned, so that a shipper in one part of the country shall not be at a disadvantage in internal trade through his geographical location.

The railway direction is informed upon local conditions through district advisory boards. Members of the boards are elected or appointed in various ways, according to which state or private road is concerned. The principle of choice is that the district board shall be representative of the agriculture, the forestry, the manufactures, the mines, and the trade of the division. Prussia, which dominates the imperial railway plexus, draws district advisers through election

for three-year terms by chambers of commerce, merchants' associations, agricultural provincial unions, and other bodies designated by the minister of public works. The shipper dissatisfied with a rate starts his complaint with the local board. He may of course appeal from the judgment of the board.

The Bundesrat in railway matters acts under general instructions agreed upon by the federated governments as follows:

1. The advancement of the internal industrial and agricultural production by cheapening the cost of raw materials or equipment for production.

2. To facilitate the export of German products.

3. To support the trade of German commercial centres.

4. To favor German railway lines against competing foreign waterways and railways.

The central government began its supervision of railway rates, whether state-owned or private, under clauses in the imperial constitution of 1871. Article 4 places the railways "subject to surveillance of the empire and to imperial legislation," while article 8 creates the permanent committee of the Bundesrat or Federal Council

and article 42 provides "that in the interests of general commerce the federal governments undertake to administer the German railways as a uniform system." Article 45 gives the empire control over rates and requires that uniform charges shall be introduced as soon as possible, agriculture and industry to have special privileges. In the development of the German railway system the clause of the constitution respecting special privileges has been utilized to fix exceptional rates, based on political and national considerations, upon more than half of all the freight carried. The railway board has established twenty-seven classes of exceptional tariffs for internal trade and thirty-one classes of exceptional rates for seaport traffic. When the railway board was created by the imperial parliament in 1873 there were ninety railway administrations in Germany, with 1,357 different rate-tables. This was in the days when the railways of Germany were largely in private company control. Bismarck, speaking April 26, 1876, on a different phase of the subject, said: "Nowadays we see that railway administrations, without benefit to the railways and the shareholders, and as it were as a kind of sport, wage with each other wars which cost much money, and which are wars of power more

than anything else, without financial competition."

The exceptional tariffs for goods going abroad are designed on the general principle of giving as low a proportionate rate to parcels as is given to carload lots destined for internal use. The wholesale glass-dealer in Berlin shipping to Hamburg must pay at the rate of ten marks a metric hundredweight on shipments of glassware in less than carload lots. If, however, his shipment of less than a carload is for export, he pays only three marks a metric hundredweight. The subjoined are some of the rates on goods for export contrasted with internal rates, in ten-ton lots per metric ton (2,204.6 pounds):

SHIPPING-POINTS	MILES	GOODS	EXPORT RATE	NORMAL RATE
Cologne to Hamburg..	267	Copper wares.....	$3.14	$6.38
" " ..	267	Lead in blocks.....	3.17	4.86
" " ..	267	Cotton goods.....	3.64	6.38
" " ..	267	Machinery and machine parts.....	2.53	4.86
" " ..	267	Iron plates and locomotives.....	1.33	3.83
Frankfort to " ..	330.6	Machinery and iron wares.....	3.07	6.00
" Bremen...	285.2	Machinery and iron wares.....	2.69	5.21
" Lübeck...	385	Machinery and iron wares.....	1.67	4.71
Nürnberg to Hamburg	394.6	Thuringian wares, toys.	5.83	9.33

Exceptional rates, such as those in the foregoing table, are constructed upon three principles: that the goods are intended for export and must, therefore, be carried at a lower rate than goods for internal use; that the rate to such a port as Lübeck, whose steam-ship lines, running to certain limited territories, ought to have a preferential rate over the great ports of Hamburg and Bremen; and, finally, that the rates on particular lines of goods are adapted to conditions abroad that influence the export trade. For example, in bad trade years the rates are lowered far below the usual exceptional rate. Sometimes the exceptional rate is cut a third, or even a half; and this is also done on internal shipments when extraordinary conditions prevail, such as a failure of the hay crop.

The national railway supervision also makes exceptional tariffs on shipments from other countries passing through Germany, as for instance on the grain traffic from Russia to oversea countries. A special grain rate is made from Hungary to England by way of Hamburg in order to draw freight to Hamburg in competition with Belgian, Dutch, French, and Adriatic ports. These rates on goods of foreign origin are often made regardless of distance, and are designed to

secure the traffic for German railways and steamship lines. The fundamental idea is the use of transportation facilities as a basis for national industrial and commercial advantage. The imperial railway direction also grants extensive rebates to the large shippers. Thus, when coal is shipped it may have several exceptional rates, depending upon the amount shipped. The shipper pays at the time of shipment the ordinary exceptional rate, and at the end of the year a rebate is paid him, according to whether the total of his shipments for the previous year falls into one or another of the special exceptional rates granted to the great shippers.

The railway management grants individual exceptional rates. For instance, a man of enterprise in a village, having found that the sand near by is adapted to the making of a certain kind of glass, decides to start a factory, provided he can have the combining chemicals and coal brought to him at a price low enough to make his idea a profitable one. He applies first to the chamber of commerce within whose jurisdiction his locality is. It is the duty of the chamber of commerce, which in Germany is a semi-official body with a compulsory contributing membership, to investigate the value of the idea techni-

cally. Should the project appear commercially sound, the governing body of the chamber will support an application for an individual rate on the materials required. A fresh examination is made by the railway authorities, and, if the conclusions of the chamber of commerce are verified, the extraordinary rate is granted.

Sixty-six per cent of all the freight carried on German railways is now taken under exceptional rates. The privileged traffic has increased from 45.6 per cent in 1895 to 66 per cent in 1911.

The national railway supervision has prepared tariff rate-books for combined rail and sea routes arranged so simply that even the layman can understand them. A merchant at Burgas, Smyrna, or Galatz, in the Levant asks of an American maker in Grand Rapids and of a German manufacturer in Coburg a price on one hundred refrigerators, inclusive of freight and all other charges, delivered at his port. The Grand Rapids firm, if it has never before shipped to Smyrna, Burgas, or Galatz, must make wide inquiries taking much time and trouble before being able to determine approximately what the transportation, terminal, and forwarding charges by rail and steamer will be, and he will probably not be able to learn exactly what the

charges of forwarding will be. After delays that may prevent his getting the order, he is obliged to name a price that will cover the possible difference between the compilation of freights and forwarding charges and what they may actually be upon foreign shipping lines. The Coburg manufacturer, by referring to the Levant rate-book under Coburg, sees that refrigerators are listed in the eleventh classification, and that the rate, including land and water, is at the rate of marks 6.74 per 100 kilos for shipments under 5,000 kilos, marks 6.59 if beyond 5,000 kilos, and marks 6.42 if amounting to more than 10,000 kilos.

The railway administration undertakes also to be responsible, in connection with steam-ship companies, for the delivery of the shipment, so that the shipper, when he has paid the freight charges, need give himself no further concern. The railway management obtains for him a bill of lading when the goods are placed aboard a steamer at Hamburg or Bremen, upon which the shipper may obtain his money at a bank, or, if he prefers, will forward the bill to the consignee. The essential facts in the transaction are that the shipper has worked out for him in advance the exact cost of transportation and delivery, and

that he is able to have the government look after the delivery of the goods with no further bother to himself than if he were mailing a letter with the proper postage prepaid. Thus export is enormously facilitated, especially for small concerns.

Such rate-books as that described for the Levant have been worked out by the railway supervision for the whole world, although they are not published for distribution except for the Levant and South Africa. It appears to be considered more judicious from the stand-point of the exporter not to publish rates for every part of the world for general distribution. The exporter can learn the rate to any port or railway station outside of Germany by inquiring at his local railway station. Such inquiries regarding American cities reveal, I am told, that some rates are made from interior points in Germany to cities west of the Mississippi River lower than the rates on the same goods from the Atlantic seaboard to the same cities west of the Mississippi.

It has seemed to me possible that railways in the United States might co-operate under national supervision as effectively as the German railways, although conditions in the United States are extremely different from those in Ger-

many, in that 91 per cent of the mileage in Germany is owned by the German states and only 9 per cent by private companies. Private companies are dependencies of the state-owned railways, because the state may take over the private lines whenever it may wish to do so, at a fair valuation based upon the dividends of the previous ten years. In case a road has not been in operation as long as ten years, the dividends for three years may be taken as the basis of valuation. The imperial constitution establishes national supervision under the clauses that have been mentioned. Yet, under the recent legislation of Congress a more definite correlation of the railway interests of the United States has been begun than the Interstate Commerce Commission was able previously to undertake.

The private lines in Germany have been treated liberally enough to allow them to declare dividends that have been steadily increasing with the development of the country. The dividends of thirteen of the more important private lines run from 6 to 9 per cent. For instance, the private "Lübeck-Büchener and Lübeck-Hamburger Railway," with a capital of 25,000,000 marks and bonds for 19,650,000 marks, has paid during the last three years 8 per cent, the high-

est dividends paid since the opening of the line in 1852. The dividends began at 2 per cent and, with slight fluctuations, have risen during fifty-eight years to the present 8 per cent. The prosperity began in the early seventies, when the dividend rose to $5\frac{1}{2}$ per cent, and it has never fallen below that figure since. The Lübeck-Büchener and Lübeck-Hamburger Railway is not selected from the thirteen for its prosperity, but is taken as a representative company. The Prussian state railways, which dominate the German system, pay 8 per cent on an actual cash investment of 9,000,000,000 marks. The railways are carried on the books of the Prussian government at about 18,000,000,000 marks, since 4 per cent is regarded as a reasonable dividend basis. The German experience, therefore, has been that both the state and the privately owned railways make an excellent return on the capital invested. The returns have been large, notwithstanding the use—one might say the manipulation—of the railways to meet the exigencies of the export trade, the competition of foreign railways and ports, and the peculiarities of local internal conditions.

German railways, state and privately owned yet under national supervision, give discriminat-

ing rates, grant rebates, treat localities and individuals exceptionally, charge all the traffic will bear under one set of conditions and extraordinarily low rates for other circumstances, employing all the devices condemned and passionately opposed in America, and exercise all the powers of absolute monopoly. There is, however, this basic difference: that while in America these devices are suggested, even necessitated, by the war of interests or the wills and judgments of individual managers, they are applied in Germany according to principles of equity which take into account industry, trade, and agriculture as a national whole, granting exceptions, taking one sort of traffic as privileged, another as normal, upon calculations wide enough to include the interests of the whole people. So far as perceived, shippers, whether falling into one category or another, feel no sense of unfair treatment. They know that the system is intended to be just and nationally effective, that whatever rate is made is a result of reasoning together by those who made it and those who use it, and that the rate can be changed provided inequity can be shown or that a lower rate would be of advantage to the national organism. There are no secret rates.

Notwithstanding the immense differences between American and German railroads in ownership and in variety of conditions, it may be that partly by legislation and partly by the co-operation of some of the powerful railroad managers in the United States a close national control might be developed from the foundations already laid. Political considerations and the permanent well-being of the wealth massed in railways might co-operate in building a system of control, subordinating railways, to their ultimate advantage as dividend-payers, to industrial, commercial, and farming interests as an entirety. The railway captains would lose something of the joyousness of free-lance independence, but they would be more solidly effective as corps commanders in a co-ordinated army. They might also draw larger allotments of revenue for their shareholders as a result of saving the waste of working alone and by concentrating attention upon service to economic unity rather than to economic war.

III

THE PASSING OF THE UNSKILLED

THE industrial spirit of the German people seeks to prepare the growing generation for achievements in production as imposing in contrast with the present as the work of to-day compares with that of the eighties. Faith in work, the resultant of things done, drives forward in a many-sided preparation for greater things to be done. The German, with a past of extraordinary hardship and suffering, in a land poor rather than rich in natural resources, has by thought and contrivance, by sea transport and exchange, availed himself of the resources of other peoples. Compulsory sanitary living and other legislation requiring a minimum of social well-being have lengthened the average life and increased the height and bodily frame of both sexes. The German mind has now a stronger physical instrument with which to work than the generation that fought with France. The training of that instrument is expressed intensely in relation to skilled production by the work of the continuation and trade-schools.

The explanation the German generally gives of the sudden and immense industrial expansion beginning in the seventies is the compulsory elementary education of the whole people. The Germans were ahead of any European people in primary mental training and possessed, therefore, material more easily converted into machine builders or metal workers or electrical-instrument makers than the untaught laborer. The German workmen, not so capable probably as those of the United States or of the United Kingdom, achieve (through training and through obedience to authority, also trained finely in the higher reaches of scientific technic) results that seem individually beyond their strength. The observer from abroad sees the military system reproduced in the factory. It is rather that the character of the German is disclosed with equal clearness in mine and factory management, the military system, the civil administration, and by the organization of labor upon landed estates. The disciplined life at home, in the school, in the workshop, in the army, and again at work, are all designs in the same weave. The same threads run through all patterns. How these character threads were spun in the hard centuries of struggle and persistence and are now be-

ginning to show in strangely interesting design, is a high study. The endeavor of this essay is only to indicate one of the figures running through the loom — the making of the labor unit more efficient by special training in his youth.

The son of a day-laborer, who, within the view of the national policy, should be more useful to himself and the commonwealth than his father, is the subject of careful expert observation. His teachers, the school physician, and the parents endeavor to determine the handicraft to which the boy is adapted. The physician takes note of the body. The strong boy of average build is classified as suited to become a brewer, a smith, a carpenter, a mason, or a worker in iron construction, or some other calling requiring at least average strength. The undersized or weaker boy is considered as being better adapted to become a tailor, a bookbinder, a basket-maker, a wood-carver, a locksmith, a jeweller, a glazier, a joiner, a cabinet-maker, a potter, a brush-maker, or a confectioner. The boy with weak lungs is excluded from trades where there is a good deal of dust, such as that of the wood-turner or the paper-hanger. The boy with pulmonary weakness would also not be allowed to become a shoemaker or a tailor, because

of the bent attitudes in which he would have to work. Should the boy have a weak heart, he would be classified as unfit for the heavy work of the smith, the butcher, the miller, or any of the building trades. The youth who has chronically perspiring hands is deemed incapacitated for gold-work, clock-making, bookbinding, or lithographing. The boy with inflamed eyelids is as fully excluded from work in colors as though he were color-blind. Within the view of the school medical counsellor, the boy must be saved from entering upon a trade in which he will always be at a disadvantage physically, and his whole life be a struggle on unequal terms with those better qualified to deal with the peculiar conditions of that trade.

The teachers undertake to measure the mental capacities of the boy. If he is generally a dull pupil, he will be indexed as being better adapted to a trade not far removed from unskilled labor. The bright pupil, especially if he should show manual delicacy in the systematic tests to which he is subjected toward the end of his school period, would have a choice of some fine handicraft, such as that of instrument-making, engraving, or jewel-setting.

Painstaking effort is made to determine the

boy's inclinations, so that the great misfortune may not happen to him of being deprived of the joy of work, of satisfaction in the thing done. Within the view of the Prussian school administration, and this is equally true of Bavaria and most of the other German states, the skilled worker ought to find in his calling one of the great satisfactions of life—a certain artistic pride, the disposition to do his work, not alone as he has been taught, but to add to it something of his own individuality, because he loves the work and puts something of his spiritual self into it. No boy is compelled or unduly forced into the choice of a calling. He is handled temperamentally and sympathetically. The endeavor is made to stir the boy's ambition. Masters and parents confer. The parents working at common labor almost always want their children to do better in life than they have done. They readily co-operate in getting the conviction fixed in the boy's mind that he ought not to be an unskilled workman, that when he finishes his school work he ought not to be content to be among those at the bottom of society doing the coarse labor of the ditch, but that he ought to choose a trade and fit himself for one of the higher levels where intelligence counts for some-

thing and where wages and opportunities are larger. The germ of the whole system of manual training is considered by the Prussian Ministry of Commerce and Industry to be in the awakening of the boy's aspirations for a life above the ordinary. This awakening is much more of a problem for the children of the unskilled or the nearly unskilled classes than for those of the higher artisan class. The surroundings and the tone in the home life of a superior workman usually settle the inclination of the boy to be at least equal to his father.

The Munich administration has added an eighth year to the usual seven of compulsory primary education, which is given almost entirely to drawing, card-board, and wood-work training. The school authorities have two objects in view. One is to start the boy in the direction of a particular trade, his studies to be completed in compulsory continuation trade-schools. The second object is to give the boy who has not selected a trade a distaste for unskilled work, so that he may later feel impelled to choose a skilled occupation. This policy has been worked out by Doctor Kerschensteiner, whose name is international and whose ideas are well known in the United States. Of 2,200

boys who left the highest class of the elementary schools in Munich in an average year, 2,150 went into handwork or other skilled occupation at once. Thus 2 per cent only were lost to skilled industry. Not one boy from the school is known to have allowed himself to fall into that ugly classification, "the unemployable."

The teacher tries to impress on the youthful mind the worth of labor, how labor will win all things, that pleasure in making, producing, creating may be one of the truest joys of life, that in it may be found for most persons the service of Heaven, the country, the community, and one's self. The elementary reading-books include a variety of such stories as this one, entitled "The Gentleman in England." "When the celebrated philosopher and printer, Benjamin Franklin, came to Europe he had with him a negro servant. Franklin, as is well known, was very inquisitive and travelled through the whole of England in order to see factories and other objects of interest. His servant went with him and also saw everything. They finally returned to London. The following day Franklin said to the negro: 'Now that you have seen all of England, how does it please you?' The negro shook his head and said: 'England is a very strange

country; everybody works here. The water and the smoke work, the horses, the oxen, and even the dogs work. The men, the women, and the children work. Everybody works except the pigs. The pig does not work; he does nothing but eat and drink and sleep. The pig alone is gentleman in England.'"

It has long been a house law of the Hohenzollerns that each should learn a handicraft. The prince, it is considered, is only in this way able to understand the qualities in a subject that make him a good artisan. The prince also gains that feeling of confidence in his own powers that comes from skilled handwork. The Emperor is a bookbinder. Among the Emperor's fine collection of bindings are specimens of American work, chiefly from Philadelphia. He probably appreciates no product of American industrial art so highly as that of the bookbinder. The Crown Prince is a turner, another of the Emperor's sons is a blacksmith, the third a brassworker. The teacher who seeks an illustration for competence in any trade can usually find a royal example, either present or past. The Empress and her daughter Viktoria are excellent sewing women, and have gone through courses in cooking. It is a pleasantry in the diplomatic

corps that to interest the Empress one must have something new to say about household management, the children, or the church. The psychological part of the method is to make the boy believe really that virtue, happiness, and the rewards of life are derived from work, that neither a prince, a member of the cabinet, an officer, nor a millionaire can escape work, or indeed that he wishes to avoid it. All this seems very much like Sunday-school instruction and parental platitudes. That is true. It has been noted by an economic writer in *The London Times*, after a study of Germany, that the German is brought up on just the kind of moral nourishment that was made common in England thirty or forty years ago by Carlyle, Ruskin, and Kingsley. The commonplaces appear to be driving power, to put moral energy into the ordinary task. In a trade-school shop, where forty or fifty boys are at work, intent and earnest, one seems to feel the spirit of Germany of to-day — duty, work, skill.

The continuation trade and commercial schools are not cubes in a rigid, finished structure. They are germinating, flourishing, growing in immense variety out of local conditions, moulded by local individualism. Some schools are owned by the

states, some by guilds, municipalities, trades-unions, manufacturers' associations, and by private societies and persons. The school or group of schools in any industrial district has been founded ordinarily to train workmen for the specialties produced there. The pupil is usually a beginner in one of the factories, and he is dealing in the school with the difficulties and problems that arise day by day in the factory. The instruction is of the best. The master-workmen, up-to-date and capable men of the neighboring works, serve in the school-room. The equipment, the tools, the machinery, are usually of the latest design, so the youth feels that he is getting the best that can be learned. The trade-school is in such close working co-operation with the adjacent manufacturers that, besides borrowing some of the best workmen for short periods for instructors, the advice of the manufacturers is sought or voluntarily given.

The learner, if the school is compulsory, may be punished by public reprimand, a two hours' confinement, or by expulsion. Expulsion is infrequent because the school opinion is so strong that any boy does not like to put himself outside of his fellows' good-will. Besides, the youth feels that his whole future is involved and that he

must endure and persevere. An essential fact of the primary technical continuation school in Germany is that, under an imperial law of June 1, 1891, as corrected by the so-called industrial law of June 30, 1900, employers are required "to grant to those of their employees under eighteen years of age, including female clerks and female apprentices who attend a continuation school arranged by the government or a local authority, the necessary time for school attendance as prescribed by the authority in question." Any one contravening these regulations is subject to a fine of twenty marks for every offence and, if this is not paid, to three days' imprisonment. The compulsory system has been in operation in Berlin six years; and in the beginning the administration had difficulty with business houses regarding the times of attendance, rather than with the principle. The trades-unions and Social Democrats were energetic for compulsion. Penalties have been resorted to reluctantly, a representative of the school management usually having been able to win voluntary compliance by pointing out the clear conditions of the law and the advantages to the young persons concerned. A good many instances of resistance were fined in the second year. Now that the

employers and parents understand that resistance is useless, there are few refusals to give the necessary time. Some employers are of the opinion that compulsory continuation schools tend to raise wages and to make employees unwilling to do menial work and the automatic machine operations of subprocesses in production. Yet four-fifths, or even a higher percentage, of opinions which have been gathered by the Prussian Ministry of Commerce at first-hand from employers in all branches of production indicate good-will toward the schools.

Prussia, which is five-eighths of the empire, has roundly 3,000,000 persons from fourteen to eighteen years old. Of this number 1,473,000 are youths, 1,527,000 are girls. Two-thirds of the whole, or about 2,000,000, are working — 1,250,000 boys and 750,000 girls. Agriculture takes 813,000, about equally divided between the sexes. Industry employs 650,000 boys and 191,000 girls; 70 per cent of the boys have been trained in some variety of continuation school, and 48 per cent of the girls. In trade and transportation 114,000 were employed last year, and of that number 56 per cent had gone to some sort of commercial school; of the 67,000 girls within the ages of fourteen to eighteen in trade and

transportation, 52 per cent had been instructed in commercial schools. In Berlin 89 per cent of the workers between the ages of fourteen and eighteen are taking continuation courses, 55 per cent in Hesse-Nassau, 48 per cent in Hanover, 50 per cent in the province of Posen, 70 per cent in the province of West Prussia. Under a Prussian law giving subsidies to municipal trade-schools, provided they are compulsory, the number of pupils increased during the six years preceding 1910 by 55 per cent. The continuation trade-school administration works with the official labor exchanges of the empire in the endeavor to direct the choosing of trades into those callings where the greatest opportunities exist for employment. The central labor bureau for Prussia draws up a sheet at the end of each month which shows exactly the number out of employment in all trades. Taken over a period of years, it is thus easy, of course, to determine relatively the chances of employment. Thus, if the stone-working trade is overdone, the endeavor on the part of the school administration is to guide boys who might otherwise be adapted to stone-working into some related building trade in which opportunities for work would be greater. By co-operation among the German

states it is expected that the supply and demand in individual callings will be understood so completely that a continuous process of adjustment will maintain the equilibrium between supply and demand in all trades. The design is to replace the haphazard distribution of workers by a balanced system. The boy, who can know nothing accurately about the position of the labor market, owing perhaps to the operation of international causes, will be spared the tragedy of going into a dying trade. The effort will be to place him in a trade in which he will have an equal chance with others to obtain employment and keep it.

The German governmental theory of the collective responsibility of society to the individual, and of exacting from the individual proportionate service to the whole, works out in industrial education, as I have indicated, in two principles of action, intelligent persuasion and compulsion. One is intended to be the complement of the other. Compulsion is congenial to the German in command. The discipline of the home and the elementary school is naturally extended to the workshop. The merits of compulsory attendance are summarized in an old decree of the Minister of Trade and Commerce, that of 1899, thus:

"There are still some who think that voluntary attendance at industrial continuation schools is preferable to compulsory attendance. I consider it my duty to draw attention to the recognized fact that, according to all experience known to the present time, the continuation school only flourishes and fulfils its purpose if attendance is made compulsory by a local by-law. The opponents of compulsory attendance maintain that it lowers the standard of the schools. It is contended that the voluntary pupils are willing and ready to learn, whereas those who are compelled to attend are refractory and lazy, and thus impede the progress of the better pupils and make it difficult to maintain school discipline. I admit that, among the number of industrial laborers under eighteen years of age who are brought to school by compulsory attendance, there may be some undesirables who cannot be brought under school discipline. But this drawback can be obviated by a proper classification of the pupils, especially by rigorously enforcing the grading system and by employing suitable teachers. Moreover, the difficulty can be overcome if, in the initial stage of the compulsory system, those young persons who have been out of school for several years are not admitted. In

the earlier stages, the by-law should only be enforced for the lowest stage of the continuation school, and should be extended in operation year by year. Experience shows that attendance at the continuation school will soon be regarded as a matter of course, just as is the case with attendance at the elementary schools. This plan has the further advantage of gradually building up the school stage by stage. This meets another objection, viz., that any sudden increase in the number of pupils would make too great a demand for school places and that the expense of providing them would be beyond the means of most of the communities. The critics of the compulsory system further maintain that schools with voluntary attendance show better educational results. This statement is certainly wrong, and the tests lately instituted by me prove the contrary. Irregular and unpunctual attendance is a standing complaint with nearly all the schools when attendance is voluntary. In some instances it has happened that schools with voluntary attendance have had to waste half the time appointed for a lesson because sufficient pupils had not arrived to make it possible to begin."

The pressure to turn the unskilled into the

skilled is applied to both city and country in a broad sense. It is in the municipalities that this pressure takes the form of artisan training. In the country, the laborers on the farm, in the dairy, and in forestry are trained, to be sure, but are trained experimentally, only those intended for foremen and managers being sent to special schools. In the percentages that have been given all farm and mine laborers have been taken to be unskilled. The government does not consider that the laborer on the land might be a source of danger to the commonwealth because he is not trained for what is commonly called skilled work, but that, on the contrary, he is one of the soundest units of the community. The government does consider that the presence in cities and industrial centres of great numbers of unskilled laborers is a weakness that must be overcome.

Who, then, will do the coarse work of Germany if the present ideal of converting every German into a skilled workman is attained? The landed proprietor complains now of the scarcity of labor, largely due to the migration to the towns of the young people from the country. The land-owners in 1911 employed 565,000 foreign laborers between January 1 and October 1,

as is shown by the number of special passes issued to foreign agricultural laborers from Russia, Poland, the Austrian states, and Italy. Twenty per cent of the miners in Westphalia are foreigners, and 8 per cent are Italians. The number of foreigners employed in industry as common laborers was 440,000, of whom 18 per cent were from Italy, 10 per cent from the Netherlands, and the remainder largely from the states to the eastward. A vast movement of foreigners to and from Germany increases yearly. The foreign laborer is attracted by the higher wages that he can earn there over those paid in his own country. He is able to pay transportation both ways each year, for under the German laws the foreign laborer may not remain in the country longer than one year, and the field laborer usually remains about nine months. The state puts obstacles in the way of foreigners doing skilled work. The police, under the close registration system, take note of a foreigner holding a workman's pass who engages in higher manual employment. The employer's attention is drawn to the fact that the man in question is a foreigner; and under the statutes of some states the employer is obliged to discharge a foreign workman. Obstacles are also placed in the way of

ordinary workmen becoming German subjects. Naturalization is refused to workingmen, except under special conditions. Many workmen from the eastern European countries who might otherwise settle in Germany emigrate to the United States.

The son of a common laborer or of a farm hand takes up a trade and goes to the city. The son of the artisan becomes a bookkeeper, a minor civil servant, a shopkeeper, or a draughtsman. The daughters of artisans refuse domestic service and go into shops, counting-rooms, or industrial art-work. The children of those in turn strive for social position and better wages by studying in the higher technical schools and becoming engineers, illustrators, or factory chemists. While the ministries of education and of commerce and industry seek to stimulate the children of those on the lowest levels to become skilled workers, the effort is also made to prevent too many from going into the higher technical fields, because Germany cannot give opportunities to the thousands graduating yearly from the technical universities. The surplus scientific proletariat is obliged to find employment in other countries, England, France, the United States, in competition with Germany.

The processes at work tend to convert the whole population into the users of tools and machinery. The theory of those directing the artisan training is that the time is not remote when all common labor will be done by the machine user who will bring to his work knowledge and zest.

IV

LABOR EXCHANGES IN GERMANY

GERMANY, looked upon casually from abroad, has long seemed to be overflowing her frontiers and, owing to the pressure of population, to be falling below what might have been her numbers and power had her territories been wider. That was true up to a generation ago, when emigration from German states rose above 200,000 annually. The dissatisfied, the enterprising, the adventurous, without the solicitations of the steam-ship agent, sought the Golden West. The Imperial Ministry of Marine, in assembling reasons in 1905 for naval expansion, presented figures to parliament showing that 3,000,000 born in Germany lived abroad and that 2,250,000 of them had become citizens of other countries. But from the year 1881, when migration reached 220,902, the number going over seas for fortune or social betterment fell to 19,883 in 1908 and rose slightly in the following years to 22,690 in 1911. Strangely enough, the number of immigrants who have become German subjects or permanent residents has av-

eraged during the last fifteen years 9,000 more annually than the emigrants. Every year some thousands who left in their youth come back well-to-do to live again at home. Other thousands from all countries of Europe settle there to share in economic opportunities which they think Germany has over their own countries.

The present population of 65,000,000 increases through the excess of births over deaths by 900,000 yearly, or at about the rate the population of the United States increases excluding immigration. The resources of Germany, as at present managed, are therefore sufficient to attract more than enough immigration to replace emigration and to take care of the excess of 900,000 newly born subjects beyond the number that have died. Besides meeting these responsibilities, German production is able to provide a living for 1,000,000 foreign laborers admitted on special passports to do rough work — chiefly on farms or in mines, as we have seen in a preceding chapter.

Something happened in Germany in the eighties that changed the outlook on life, and whose influence penetrated to those classes which had previously supplied the enormous emigration. Bismarck, speaking in the Reichstag, June 14, 1882, said:

"I have often drawn attention to the fact that emigration is not a consequence of over-population, for emigration is smallest from over-populated parts of the country; it is greatest from the least populous provinces. . . . In a purely agricultural population the career which a laborer can follow is straightforward and without change. When he is twenty-eight or thirty years old, he is able to overlook his work to the end. He knows how much he can earn and he knows that it is impossible by means of an agricultural occupation to raise himself above his condition. . . . In industry a workman cannot foresee how his life will close, even if he should not raise himself above the common level, and should have no connections. We have very many manufacturers who in one or two generations have risen from simple artisans into millionaires, powerful and important men. I need not name any such men to you — the names are on everybody's lips, and they are also on the lips of the workingman. For the artisan, industry has the marshal's baton, which it is said the French soldier carries in his knapsack. This raises and animates the hopes of the artisan and he does not need to become a millionaire. Industry furnishes a thousand examples such as I have myself seen in Pomerania,

little affected though it is by industry, of how the man who as an agricultural laborer never gets beyond ordinary day's wages, can in the factory, as soon as he shows more skill than others, earn much higher wages and eventually rise to the position of manager and higher; indeed, skilled workmen, who often go farther as self-taught men than the most learned technologists, may hope to become partners of their employers. The prospect keeps hope active and increases the pleasure in work. . . . It is the destruction of hope in a man that drives him to emigration."

The something that happened in Germany in the eighties was that industrial and commercial expansion attained momentum and began to flourish because of the character and the universal mental training of the people. Also, Bismarck began to graft upon monarchical and aristocratic institutions his vast schemes of government supervision and participation in business, and compulsory provision for the ill, the disabled, and the aged.[1] Bismarck's long conversations with Ferdinand Lasalle, a good many years before, became fruitful in a quite different way from the aims of the great socialist. Bismarck undertook to adjust limited collectivism to

[1] See Appendix A.

the monarchy. His ideas for economic reorganization have been understood in their full meaning in recent years only. It will probably take more decades than have passed already, to test the soundness of his internal policies and for other states to determine whether they must follow and imitate them. Besides leading the monarchy into state ownership of transportation, and imposing under government insurance compulsory thrift upon employed and enforced contributions from the employer, Bismarck undertook to interpose the powers of the state between the employer and the work people, and interweave the powers of administration with what had hitherto been considered individual rights. Under his initiative the Prussian *fiscus*, the bureau supervising state domains, forests, and mines, became an active dealer in real estate, and is now the greatest land speculator in Germany, taking care to secure for the state as much "unearned increment" as the rise in city and country land values yields to large capitals and to time.

One may attribute too much to Bismarck in statesmanship, because it is not easy to discriminate between what he did and the force of the political and economic thought of his time,

which, although led by him, also impelled him in the direction that Germany has taken in social legislation. Among the ways that government and public associations have taken to bring order into the confusion caused by "hard times" and unemployment, from whatever cause, is that by labor exchange. The endeavor is to bring plan and effective intelligence into a field where the haphazard personal canvass of the individual has often been his only means of selling his labor. The man out of work is now able through the labor registries, and their co-operation with one another, to know the conditions in his trade in all the industrial districts in Germany. Employment fluctuates in ordinary times according to the orders ahead, and often with the courage and enterprise of the employing company. A high purpose of the labor bourses is to make fluid the labor surplus, so that it may flow into the changing forms of production, take the work to be done and meet the requirements of the employer, no matter in what part of Germany he may be. The question of transportation is disposed of in most states by the government-owned railways giving reduced rates to the man going for work. The conviction resting upon much experience is that national industry is served ef-

fectively by making it a simple transaction for the man out of work to get it immediately an opening occurs in any part of the empire, and for the manager who wants help to have it without delay.

These labor markets are a curious development of the time. In them 3,708,000 men and women put up their services for sale in 1910. Employers offered 2,208,000 places, and 1,524,000 of them were bought and sold.[1] Five years have seen transactions in these markets doubled. In some cities almost all the unskilled labor is marketed in the local exchange. High percentages of skilled workmen and the employers of skilled artisans find in the exchange the largest opportunity and the largest selection. Hence the business of the exchanges has expanded sometimes 100 per cent a year. Thus the Berlin suburban exchange, at Charlottenburg, filled 15,690 positions in 1910, as compared with 7,595 the preceding year. In Wiesbaden, the figures for the same years were 13,628 and 7,970. The municipal bureau in the little city of Rendsburg arranged employment for 1,884 persons compared with 619. The numbers in the gun-

[1] The figures for 1911 are not yet fully made up in available form, but they show a general increase of 19 per cent in the number of workmen placed. — AUTHOR.

making town of Essen, were 9,656 and 5,329. Municipal labor bourses in cities such as Düsseldorf, Wiesbaden, Magdeburg, Posen have concentrated in their offices almost all the transfers in certain classes of employment.

A variety of employment offices existed before state or municipal governments were convinced of the propriety of using public funds for facilitating private contracts between master and man. Trades-unions, guilds, associations of employers, societies providing relief for the indigent unemployed, had long tried to bring effective direction to the man-out-of-work and to the employer wanting hands. The ordinary way of recruiting labor from the men hanging around the factory gates, or of a man finding work by tramping from one set of works to another, was perceived to be inefficient. Benevolent observers, unions, and employers' organizations started offices where men could inquire for vacancies, and where the unexpected requirements of mines and shops could be met. The basis of these agencies was found to be inadequate. They were managed from what might be called particularist policies. If they were employers' associations the tendency was to depress wages and to form blacklists. If they were relief stations for the very poor, or

those who had been brought low by detrimental habits, too much stress was placed upon moral qualities, and efficiency was often below 100 per cent. The sense of collective responsibility in Germany increased. The professors of scientific state organization were bothered by the haphazard situation of the unemployed. Every day of preventable delay in the sound unemployed unit getting work meant a certain deterioration in the man, a drain upon some fund for the unemployed, the under-nourishment of his children, or discontent with political and social conditions. The failure of any employer, by even a day, to have work done reduced by that much the production of the nation, and was, therefore, economic waste. When some tens of thousands are idle in a country because they do not know of positions already vacant, or because they live in localities distant from the vacant places, the collective loss would maintain an army corps, or pay the year's bill for new naval construction. The reasons have been considered sufficient to justify most German states, municipalities in industrial districts, and semi-official agricultural chambers in farming provinces in using public funds to finance labor exchanges. Although in cities the exchanges are largely in municipal con-

trol, others are managed by societies receiving state or municipal appropriations.

The exchange most important in Germany, and the one upon which many a municipal bourse in the provinces is modelled, is the Berlin Labor Exchange (Centralverein für Arbeitsnachweis). The Exchange was founded in 1883, by a society that had the aim only to mediate for a work-seeker without regard to any fact about him except that he looked for employment. If he could work, the society undertook to bring him into relations with the person who needed a worker of his grade. The society undertook, also, to satisfy employers by the fitness of the labor supplied. The employer was spared the preliminary examination of record and references and the personal "sizing-up" of the candidate, this being done with skill by the exchange manager. A reputation was founded for efficiency and good-will toward all interests. Under a liberal organization, the Exchange has drawn in the employment bureaus of many unions, among them the upholsterers, plumbers, painters, bookbinders, locksmiths, laundresses, and female linen workers. The unions share in the management. The board of twenty-one is advised by an executive committee of employers

and workmen in each branch of industry represented on the Exchange. Associations of employers designate their members, and the unions and apprentices' committees theirs. Consequently, the management is in the hands of employers and men who have personal knowledge of the situations in their lines and are able to assign men to vacant places with certainty of judgment. Unskilled workers are represented by members of the industrial court.

The Berlin Exchange is a huge brick structure, built by the Imperial Insurance Office, which has at its disposal the immense capitals accumulated for the national old-age pensions and other social insurances. The Exchange pays the office a rental equivalent to two and a half per cent on the investment and the city of Berlin guarantees a yearly subsidy sufficient to cover the charge. The municipality contributes, also, $10,000 (40,000 marks) for working expenses, which last year were about $25,000. The other $15,000 was derived from the five-cent fee charged workmen for registration. The employers pay nothing, because the administration in Berlin and elsewhere considers it sound policy not to have the least obstacle to employers using the Exchange. A supply of labor in most departments

is always there, but the demand must be encouraged. The success of the exchanges tends toward obliging employers to apply to them for hands or have difficulty in getting them from casual sources, which are disappearing because the exchanges are monopolizing the supply. Labor has become standardized, as it were, and the personal side of the free contract between the master and man has disappeared. The submanager of locomotive works, for example, simply wants ten more brass-workers, or twenty-five additional metal-planers, and prefers to telephone the Exchange rather than bother to send word to a waiting list or to examine the men around the yard entrance. Besides, if he has ever done business with the Exchange he has probably been satisfied with the standard quality of the men sent him. Should the manager upon seeing the men desire to reject some of them, all he need do, and that is not obligatory, is to pay their carfare back and ask for another lot to replace the ones he did not like.

The institution in Berlin has three vast apartments. One for skilled workmen, arranged according to trades, accommodates conveniently 2,000, another 1,000 to 1,500 unskilled laborers, while the third is for women. The Exchange

somewhat resembles a vast workingman's club with a women's annex. The place has about it none of the depressing suggestions of unemployment, none of that dreary atmosphere of the groups around the factory entrance waiting for something to do — with all the disadvantages on the side of the individual down in the world and worried. Deserting the factory gate, he offers his services in the recognized brokerage, the one to which employers of his class of labor will, in fact must, apply. He will be registered there no longer than a day before his number is advanced on the list. Some, perhaps all, of the men who were ahead of him will have been employed. Within two weeks, on an average, the man offering skilled labor and belonging to a union is engaged. The unemployment in Germany has ranged, during eight years, from one and one-tenth per cent of the wage-earning population in 1906, the lowest year, to two and nine-tenths per cent in 1908, the highest year since the government has calculated percentages covering the whole empire. In 1909, the percentage out of work during the year averaged two and eight-tenths per cent, or an average of nine days in the year if the whole employed wage-takers are considered. In 1910 and 1911 the percentages were slightly less. Since

fluctuations in employment do not affect great numbers of the employed, the period of loss of work for those actually unemployed is considerably longer. The operation of the labor bourses has the result of equalizing the terms of unemployment so that the loss of work is distributed more evenly. No individual runs the hazard of not finding work for months. The only preference on the Exchange is for married men, who, as against the unmarried, are served first. Employers appear to prefer unionists for two reasons: because they have no trouble on that account with their other men, and because the union member is nearly always a qualified workman.

On the unskilled-labor floor the waiting time is longer. During bad seasons a man may wait a month to earn the lowest wage. The waiting, whether in the skilled or unskilled divisions, is under rather agreeable conditions. The great rooms are astir with activity. Telephone bells, the communications of sub-managers to the classified sections, the summons of a coppersmith from his group, or of five glass-blowers, or a dozen steam-fitters from their divisions, engage the interest of the new-comer. Checkers, dominoes, and chess are played, but no cards. The

restaurant supplies a meal, a drink, and a cigar for seven and a half cents (thirty pfennigs) — ten pfennigs for two rolls, another ten for sausage, five for beer, and five for a cigar. Then from 400 to 600 persons are employed every day, or, to be precise, 447 on an average for each working-day. The man-out-of-work may go home without a job, but he has had a not unpleasant day talking politics, playing a game, getting a dinner at the lowest price, and if he needs them the attentions of clothes-menders, cobblers, and barbers, so that he may keep a good front toward the world. The effect of the whole is psychologically stimulating.

Upon the women's board the supply is less than the demand. Employers offered 46,935 places while 36,026 women and girls applied for them and only 28,843 accepted offers, or an average of 65 in the hundred. The widest disproportion was in the domestic-service division, one of the smallest in the Exchange, probably because both mistresses and servants find the neighborhood employment agency the more convenient, even though a fee is charged. The government in 1910 placed all private agencies under close supervision, fixing fees and observing transactions. However, 1,170 servant-girls entered themselves

at the Exchange in 1910 and 1,031 took service from among 3,528 offers. The mistresses in this instance go there to be examined by the maids. The women's domestic-service department is the envy of men out of work, and many an amusing little tale is told of the manner in which the pretensions of madame are reduced by the independence of the maid. The director of the unskilled department has overheard the men describing imaginary interviews, after the style of the domestic, between themselves and the imaginary employer, with amusing stipulations concerning the beer allowance, days off, family dinner in the middle of the day, cold supper at night, and laundry limitations. Few women workers are out of a position more than a day or two. The law respecting two weeks' notice and three afternoons out to find another place is observed almost absolutely by employers.

Some odd particulars about the occupations of men are tabulated in the reports of the imperial labor department. Only one cigar-maker was out of work in the first quarter of 1909 in the whole country, and none was reported as idle the second quarter. Then, owing to an increase in the tobacco taxes, 183 were unemployed the next quarter, and 107 the last three months of the

year. The preceding year eight tobacco-workers were unengaged during the twelve months, and at no one time were more than three out of places among a total of 203,224 workers in tobacco. Unemployment among miners, doubtless due to the hard, dreary, poorly paid work, runs low. The miners' unions reported to the government that during the first quarter of 1909 48 were out of work. The largest number in any quarter of the year was 253, while during the same year thirty-seven per cent of the journeymen barbers were unengaged at one time.

The number of unemployed in Germany appears to be smaller, relatively, than in other industrial countries. International comparisons are difficult because of the different methods used by the labor departments in various countries in obtaining figures of unemployment. The British Board of Trade issued in January 1911 a fourth official compilation of foreign labor statistics, in which percentages were given of the fluctuations in employment in Germany, the United States, France, Belgium, and Denmark, based upon the reports of trades-unions to the governments of the European countries mentioned and to the State governments of New York and Massachusetts. The percentages of unemployed were:

YEAR	GERMANY	FRANCE	UNITED STATES	BELGIUM	DENMARK
1903.....	2.7	10.1	....	3.4	.....
1904.....	2.7	10.8	12.1	3.0	.....
1905.....	1.6	9.9	8.5	2.1	13.28
1906.....	1.1	8.4	6.8	1.8	6.12
1907.....	1.6	7.5	13.6	2.0	6.79
1908.....	2.9	9.5	28.1	5.9	10.96
1909.....	2.8	8.1	14.9	3.4	13.32

The British report, while indicating that the statistics must be taken with caution in making contrasts between countries, affirms that the percentages form a useful index to the fluctuations in the labor markets of the countries themselves. The percentages in Germany, as will have been noted, are not only far below those of other countries, but they are less irregular than those elsewhere, except in France. The figures for the United States were derived from the statistics of New York and Massachusetts alone and are further impaired by the circumstance that the building and wood-working trades in those States were represented in New York by thirty-four per cent, and in Massachusetts by twenty-three per cent, of the totals. The fluctuations in these trades are more violent than in any others. The steadiness of employment in Germany is wrought by a variety of causes found in the char-

acter and institutions of the people, but among them may be placed the contributing influence of the 712 labor bourses in intimate co-operation. They do not originate opportunities to work. They do take over the task of seeing that neither the machinery of production nor the man willing and competent to produce shall be hindered from coming into relations by so much as an hour of delay preventable by intelligence and organization.

Not far from where employable labor waits in Berlin for opportunity is the vast asylum for the night (Nachtasyl) maintained by the municipality. It is a last crumbling foothold of those mostly unemployable before the police arrest, and the magistrate condemns to forced labor on the city sewage farms. There from 3,000 to 5,000 men, women, and children are fed and lodged for the night, but they may not be taken in oftener than five nights in three months. The stream of broken lives flowing through those iron-bedded halls sends a rivulet to the Exchange, which undertakes to do for the man on the edge of the abyss what he cannot do for himself. The others, society cannot yet tell why, disappear into the depths.

V

EXPERIMENTS WITH UNEMPLOYMENT INSURANCE

POLITICAL thinking in Germany, beginning with the later Bismarckian days, abandoned the idea that the individual alone is responsible for his situation in life, his employment or unemployment, and decided that somehow inwoven with individual responsibility is the responsibility of society, of the whole state. This way of thinking may now be called the minimum German state socialism, the kind of thinking that is still called radical in Great Britain or in America, but in Germany is conservative. It became evident to observers that the loss of employment in industrial crises was brought about by events over which the workman could have no control. Besides periodical depressions, the development of immense organizations, formerly unknown, in the management of which the individual workman does not participate and in which there can be no direct bargain between the managing employer and the employed, has

brought economists and the governments of German states to the conviction that the state or the local government must justly share responsibility for unemployment and must devise measures for the creation of a fund out of which the unemployed may of right take assistance. The government has therefore in the course of the last twenty-five years abandoned the stand-point of the imperial industrial laws guaranteeing complete liberty of action between the giver of labor and the applicant, and has undertaken to intervene by a policy of protection. This policy of protection for the employee runs parallel with protection of agriculture, of internal trade, of foreign commerce, and through an intricate system of adjustments, between all individuals, whether great capitalists or small workmen, and the economic whole. It has been therefore an easy question to dispose of, whether public funds should be used in insurance against the results of unemployment. The majorities of those deliberating upon the question in municipal councils or in state commissions have decided that such application of government funds is correct in principle.

The trying to think out and experiment with insurance against the results of intermittent em-

ployment is a continuance by German cities and the governments of German states of the striving to squeeze dependent pauperism out of the social system, to round out the imperial insurances begun in the eighties for the widow, the ill, the aged, the orphan, and the disabled. Since the state enforces compulsory education, military service, and precautions for the health of the workman, it is regarded as a proper extension of the powers of government to prevent the labor unit from degenerating while temporarily out of use. He must be cared for and kept in a state of efficiency for re-employment, for the army, and for his general functions as a living and contributing organism of the state. Neither circumstances nor the individual's own inadequate powers of resistance must be allowed to transform him into a parasite. The main element of the problem is regarded as psychological, to maintain the human unit in good condition by keeping his spirit in a healthy state of self-respect and courage. After the old, the sick, and the defective have been sifted from the unemployed and cared for each under his classification, and after the police and the magistrates have driven to forced labor those otherwise able yet without the will to work, there remain the ca-

pable and the willing for whom there is no work. Official and semi-official labor exchanges make it easy for the person who desires work to be brought into relation with the person or company having work to give. But after all has been done, a temporary and varying surplus remains of workers over the amount of work to do. The solicitude of the state for the unemployed in Germany is greater perhaps than in most other countries, because the imperial policy is to make life at home easy enough and endurable enough to continue to keep Germans in Germany, to give them employment and a sense of security for the future. The German workman does seem to have the feeling that he is upheld by the whole of the splendid and powerful society of which he is an obscure member. Life is dingy, but he feels that he will not be allowed to become submerged utterly, no matter what calamities may happen to him individually or to his trade.

Munich, Dresden, Cologne, Düsseldorf, Mayence, Strasburg, Lübeck, Rostock, Karlsruhe, Elberfeld, Magdeburg, Cassel, Altenburg, Quedlinburg, Erlangen, and Wernigerode are the principal industrial municipalities that are operating some form of so-called insurance for unemployed.

The municipality of Cologne has had, since the autumn of 1896, an insurance against hardships from loss of work. The administration is in the hands of a committee created by the municipal council, consisting of the mayor, the president of the labor exchange, twelve insured workingmen elected by the insured, and twelve honorary members chosen from the long list of prominent citizens who are honorary contributors. The governor of the district, who is an appointee of the Prussian crown, has a supervisory relation to the committee. The fund out of which the insurances are paid was begun by voluntary contributions, amounting to 100,000 marks, of manufacturers, other employers of labor, and honorary members. The city appropriated 25,000 marks. The remainder of the funds, during a period of sixteen years since the foundation, has been raised by the assessments on insured workingmen; the total from this source, however, amounting to a little more than one-third. The conditions giving a workman the right to participate in the insurance are that he shall be eighteen years of age, have resided at least a year in the Cologne district, that he shall have a regular calling, and that he must have paid a weekly contribution of from thirty to forty pfennigs — that is, seven and

a half to ten cents—weekly for a period of thirty-four weeks. He then becomes entitled, should he be out of employment during the winter, from December 1 to March 1, to be paid after the third day of unemployment two marks a day for the first twenty days and one mark a day thereafter until the winter season shall be at an end. As the imperial government's laws concerning insurance against illness or accident provide for these categories, the workman can only continue to receive insurance if he is in sound health and fit for work. He may not benefit if he is on strike or if he has been dismissed through an obvious fault of his own, if he refuses work or has given false information regarding himself. The insurance office is run in intimate connection with the official labor exchange, whose duty it is to know where labor is wanted in any division of effort in the Cologne district and to draw from the body of unemployed enrolled at the exchange those suited to the vacancies that exist. The insured are largely members of the building trades, such as masons, stone-cutters, plasterers, paperers, and carpenters. The results, therefore, are not regarded as representing what they would be were the insurance to extend over the entire working year and to include every vari-

ety of workers. The scheme, however, operated sufficiently well to insure its continuance. The plan has been modified in details from year to year, and has become adjusted to local conditions. The winter of 1910 the number of the insured was 1,957. Of this number seventy-six per cent became entitled to insurance to the extent of 61,934 marks. The insured themselves had contributed 23,439 marks. The remainder of the requirements were paid out of the permanent fund, which, with the exception of 6,000 marks, was restored by a grant of 20,000 marks from the city of Cologne and by contributions from other bodies and persons.

Private persons in Leipsic eight years ago founded a non-dividend-paying company, with a reserve of 100,000 marks, with the object of insuring against unemployment. The municipality declined to contribute because of socialist opposition, based upon the belief that insurance enterprises of this sort tend to compete with similar provisions of the trades-unions, which pay out yearly in Germany about 5,000,000 marks on account of intermittent employment of their members. The trades-union insurance schemes are usually solvent and well managed. The Leipsic concern divides its risks into four classes. The

members pay the equivalent weekly of seven and one-half, ten, twelve and one-half, and fifteen cents throughout the year, the insurance under this arrangement covering the entire year. A special class has also been erected for members of societies, or for entire bodies of workmen in factories, to be insured. The member is qualified for receiving 1.20 marks insurance per day after he has contributed forty-two weeks. The usual conditions of non-payment in case of strike or refusal to accept work or for incapacity for work are attached.

The conflict with the trades-unions has been overcome in the city of Strasburg by the municipal government co-operating with the trades-unions, and adding one mark per day to the subscription of two marks for each member made by the trades-unions; or in instances where the payments of the trades-unions were less than two marks, the city shares proportionately. This co-operation has been found to work well. The city insurance office settles monthly with the trades-unions. Only one instance has been discovered of deception on the part of a member of a trades-union who was receiving insurance. One consequence naturally has been that the position of the trades-unions has been strength-

ened. The unorganized labor is taken care of by relief works. In Strasburg, as well as in other cities, a close working arrangement exists between the insurance office and the labor exchanges. The co-operation between the trades-unions and the insurance office in Strasburg has had the advantage of providing the insurance office with accurate information regarding every person in receipt of insurance, and a system of control against deception.

The municipality of Munich has a bill under consideration for paying three marks a day for married men and two marks a day for unmarried, during a period in each year not exceeding eight weeks, to those irregularly employed. The magistrates decide who are to come within the benefits of the municipal insurance fund, which is created by appropriation from the city treasury, by contributions from employers, and by the subscriptions of public-spirited individuals. Düsseldorf has spent during each of three winters half a million marks in public relief works. The twenty or more other German cities that are experimenting with insurance against the loss of work are doing so upon one or other of the lines already mentioned.

The subject has, however, taken a larger form

in German thought than the experiments of municipalities, though these experiments form an interesting body of results. The broad aim toward which German statesmen are thinking is the building of a governmental machinery that shall bring about compulsory thrift on the part of those liable to unemployment, and the compulsory contribution of the employer of labor, with an addition by society, as a whole, to the fund thus created. Employers are not generally opposed to such a law. Several of the great employing companies of Germany have private systems of insurance: as, for instance, the Lanz Machinery Company of Mannheim, which has a capital set apart for the maintenance of skilled workmen for whom the company has provisionally no employment on account of industrial exigencies. The principle upon which the Lanz Company and other companies doing the same thing act is that, when a body of skilled workmen has been brought together and organized with a highly specialized division of labor, the company would suffer a greater loss by allowing the workmen who form trained parts of their industrial machine to migrate to other places in search of work than by paying to keep them ready for re-employment. The Lanz Company

also considers that, as it employs men to the full capacity of the works only during brisk times, it is simple justice to give these workmen a share of the accumulated profits during slack times. German companies acting thus toward their workmen have found that an economy was effected by having efficient men ready to fill vacancies or to take up work during periods of expanding business, so that the full profits of expansion could be realized immediately without the delays that might otherwise be caused by training inexperienced men or by getting trained men from other localities—always a difficult thing to do during a period of prosperity.

The Reichstag in 1902 adopted a resolution asking the imperial government to examine into the possibility of insurance against unemployment. The government charged the imperial bureau of statistics to inquire into the subject, and after three years an extensive report was presented to parliament based upon the beginnings of the experience by German municipalities and in Switzerland and Belgium. Although this volume was published only seven years ago, it is out of date because insurance for unemployment has made such rapid progress that data have, from year to year since 1906, been so multiplied

that anything written one year has become antiquated the next. Count von Posadowsky, while he was imperial minister of the interior and vice-chancellor, undertook to work out a comprehensive plan for the maintenance of those able to work but for whom no work could be found. He gave the subject much personal attention, and the statisticians to whom he committed divisions of the work brought together a large body of facts and conclusions based upon them. The material, however, could not be brought into a form satisfactory to the analytical and comprehensive mind of Count von Posadowsky. He never submitted the results to the chancellor or to the Emperor. The main outlines within which Count von Posadowsky undertook to enclose his scheme are understood to have been compulsory contributions by workmen during the periods of employment, enforced contributions by employers graduated according to wages and the character of the employment, and proportionate contributions from the imperial finances. A consideration that has apparently delayed the imperial government in pushing forward provisions for the idle employable has been the position of the national finances. The annual deficits, covered by annual borrowings on account of large ex-

penses in other directions, caused the feeling that fresh obligations indefinitely large ought not to be undertaken until the imperial expenditures were balanced by revenue. The idea of an insurance against unemployment on a scale coterminous with the empire is for the present in suspense, but it is likely to be taken up as soon as financial embarrassments are out of the way. In the meantime, the problem is being worked out by the governments of German states and by municipalities. The imperial government continues to take censuses of unemployed and to make theoretic studies with the ultimate object of devising a national scheme.

The government of Bavaria appointed a commission in November, 1908, to discuss public insurance against results of loss of work. The conference met the following March, and the principal branches of industry, agriculture, the chambers of commerce, and the departments of the government were represented. The propertied interests were sceptical regarding the possibility of an equitable distribution of the burdens of such insurance, while economists and the government representatives took the view for the most part that insurance of this sort was desirable, and that the difficulties could be overcome.

The statistical results of German experiments form already a literature of about eighty pamphlets and books — most of them prepared officially by city statistical offices, or by economists and statisticians employed by municipalities for the purpose. Nearly all the material is accompanied by discussions that in themselves indicate how new the subject is. Herr Doktor Jastrow, who has prepared one of the most lucid commentaries for the city council of Charlottenburg, a suburb of Berlin with 300,000 population, considers that the discussion has advanced far enough for it to be regarded as non-political, and that the question need not longer be discussed as it was some years ago by labelling all those who hold ancient views as reactionaries, and those who believe in such insurance as radicals.

The main preliminaries which have been decided by municipalities that have already put into operation some form of unemployment insurance, are that the use of public money for this purpose is admissible, that the results of unemployment are to be considered in principle as a public matter, and that it is technically possible to provide such assurance.

Insurance is based upon statistics that determine the frequency with which a risk would be likely to avail itself of the guarantee. No ade-

quate statistics concerning unemployment, nor long-established systems for premiums and indemnities, exist. It has been affirmed that the need for insurance might depend upon the insured person himself, and that the employed workman could easily cause himself to be dismissed so that he could receive money without work. The objection has also been made that in other forms of insurance there can be a restoration of the damage sustained, and that the remedy for unemployment ought to be work offered, instead of payments for not working, and that the question would still be open as to whether the insured should accept work that might be distasteful to him. These objections are considered to-day as having been disposed of by reflections along this line:

Modern statistics of unemployment are imperfect, but life, fire, transport, and casualty insurances were begun without statistics, and created them only in the course of time. Even the imperfect statistics of unemployment to-day are more adequate as a basis from which to work, Herr Doktor Jastrow avers, than the statistics were at the time of organizing most of the branches of existing insurance. The objection that the beginning of the benefits of insurance depends upon the will of the insured person

himself, has been answered by pointing out that this applies likewise to liability insurance, where bad faith in the person insured is possible.

An objection more often raised than others is that of unemployed strikers. This has been treated by separating unemployed strikers from the unemployed from other causes. In some discussions of this phase of the subject it is considered that even strikers, when an arbitration court organized under the supervision of the government should have decided that the strike was a just one, could avail themselves of the insurance just as though they had become unemployed through the operation of involuntary causes. This phase of the subject indicates the serious obstacles that are yet in the way of a comprehensive insurance system which shall compulsorily embrace all able to work, yet unemployed. The losses that have to be replaced in every kind of insurance do not exist as an effect of detached events, but are a permanent condition daily created under the workings of society and daily effaced, with intervals of greater or less severity.

As in other kinds of insurance, it is economically more reasonable to prevent losses than to pay them. Guarantees against unemployment

tend, it is observed, to render communities that are paying unemployment insurance at present more careful of the rights and wrongs of the employer and of the employee, to stimulate measures that prevent unemployment just as fire-insurance companies assist in the organizing of fire and salvage brigades in places where they do not exist and as the invalid-insurance department of the government spends considerable sums for the care of tuberculous patients in order to prevent the spread of a disease that will add to the losses. The difference between insurance against unemployment and other branches of insurance is that the policy of prevention lies open in a specially high degree. New questions of dispute have arisen, as, for example, what kind of work can be reasonably provided for the unemployed. Is not a watchmaker justified in refusing to take temporary work shovelling snow, because hard manual labor will thicken the cuticle of his hands so that he is disabled from working at his delicate trade should he have an opportunity to do so? Arbitration courts have been organized in cities experimenting with unemployment intrusted with the decision in such cases, and their verdicts are usually recognized as fair.

VI

GOOD-WILL TOWARD TRUSTS

BARON VON RHEINBABEN, lately Prussian minister of finance, announcing to parliament the reorganization of the coal syndicate, said: "To my great delight, I am able to tell you, for the tranquillizing of our whole industry, that the coal syndicate has been renewed." The Right, the Centre, and the Left applauded, the Socialists forming the extreme left were passive. That episode has in it much of the political quality of the present position of co-operative capital in Germany, the good-will of the government, the approval or indifference of the parties. The calm of the German working under an intense centralization of financial power appears strange to the American acquainted with the agitations and fervors of politics at home. An outline of the economic unification of Germany and the course of political thinking that sees therein few dangers to the imperial commonwealth may have for us a peculiar interest.

The Austro-Hungarian Consulate-General in Berlin, reporting to the Foreign Office in January, 1907, on the industrial situation in Germany at the close of the preceding year, affirmed that "economic Germany is under the absolute rule of half a hundred men." The report develops this observation, and avers that this group decides the amount of production, the prices within the country, prices abroad, the terms of credit, the rates of interest, wages, and the stipulations upon which capital is advanced for extensions of enterprise and the founding of new companies. These are strong assertions, but I believe that most persons doing business in Germany or with Germans are convinced that the conclusions of the Austrian Consulate-General are broadly correct. The weight of high finance in industrial combinations, and the pressure of these combinations upon the distributing agencies, are recognized by every interest. Nonconformity is exceptional and rarely profitable.

Seven Berlin banks form the core of the system. They have shares usually amounting to a paramount interest in about forty of the large provincial banks, and these in turn are part owners in the smaller institutions of their provinces, so that agreements among the large banks

in Berlin have the effect of decrees upon the twigs, as it were, of the financial tree, and upon the detached undergrowth. The Deutsche Bank, the most influential of the Berlin group, has a capital, a surplus, and deposits amounting to 800,000,000 marks, which, with the resources of its provincial tributaries and those banks organized for the Asiatic, African, and Latin American trade, rises to about 1,750,000,000 marks. The resources of the Berlin group and their dependencies exceed 8,000,000,000 marks, or about $2,000,000,000. These details appear necessary to an understanding of the economic unification of Germany, for it is through the fibres of the banking net-work that centralization is accomplished.

German, unlike American, banks have direct participation in industrial enterprise. The bank that gives extensive credit to a manufacturing company has shares in the company and a representative on the board. Thus the bank has a relation to production that simplifies the organization of syndicates and maintains them, because the banks are able to act with solidarity upon and with the promoters of industry. Writers and public men in Germany like to repeat that "trusts" do not exist in their country.

Certain enormous businesses, such as the Allgemeine Elektricitäts-Gesellschaft or the Krupp gun and armor works, in their monopolistic character, are quietly disregarded. Production and distribution, however, are controlled by syndicates so organized that the policy of the participating business is made over to the executive of the syndicate, thus having an essential characteristic of trusts. The percentage of production is allotted by the directing committee, the selling is done by the syndicate alone, and the syndicate board is, in most syndicates, supplied by each member in advance with signed checks to be filled in with penalties for non-observance of the contract obligations. The syndicate, organized as an independent company with which the members make contracts, may be compared to the American holding company, and in this form it has a status before the law and a long record of legal existence dating back to the middle of the last century. The means for binding members indissolubly to the central organization have been perfected to a degree unknown in the United States or in England. The breakdown of the old pooling system in the United States was chiefly due to the laxness of the contracts, and their constant violation by less scrupulous

members. The trust in America replaced the pool. In Germany any disregard of the syndicate contract is almost certain to be discovered and penalized. The continued disregard of syndicate contract obligations would probably bring about the financial ruin of the delinquent.

The experience of coal proprietors has been an enduring argument of syndicate-makers. The average wholesale price of bituminous coal in 1893, when the Rhenish-Westphalian coal syndicate was formed, was $1.68 (seven marks) a ton on the Essen exchange. The following year the price was raised twelve cents, and it remained at $1.80 for two years. In 1896 the average was $1.99; in 1897, $2.06½; in 1899, $2.18½; in 1900-02, $2.42½. The price was then lowered on account of the industrial crisis in Germany, and coal sold at $2.16 and $2.23 during four years. In 1906 the average selling price of the syndicate was advanced to $2.40, in 1907 to $2.64, in 1909 to $2.86. The shares of important coal companies that are members of the syndicate have risen since 1903 from 90 to 1000 per cent. Gelsenkirchen, for instance, has risen from 127 to 370, Consolidation from 140 to 422, Nordstern from 40 to 400, at which price it was taken over by the Phœnix in 1897. The shares

(Cuxen) of the Graf Bismarck mine have increased from 12,000 marks in 1893 to 78,000 marks each, Ewald from 7,000 to 54,000, König Ludwig from 3,200 to 32,000. The quotations vary somewhat with the state of the market. Those given are representative of prices from 1905 to 1912.

The imperial ministry of the interior classifies the following industries as controlled by syndicates: coal, iron, other metal industries besides iron, chemicals, textiles, leather and rubber wares, timber, paper, glass, tiles, bricks, pottery, foods and drinks, and electric appliances. Not all the works in a single line belong necessarily to a single national syndicate. Often there are territorial syndicates which have agreements among themselves. The whole number of syndicates, as recorded by the ministry of the interior, is 385.

This economic unification founded upon syndicates and alliances among the banking powers is not a completed structure; change and growth have been continuous in the direction of co-ordination, coercive only by the logic of dividends. As will presently be indicated, the imperial government has now taken an extraordinary step in the direction of compelling private companies

to form a syndicate. The imperial government had occasion ten years ago, after a discussion in the federal council, to make a public declaration of neutrality toward combinations restraining competition. Count von Posadowsky-Wehner, imperial vice-chancellor and minister of the interior, said in the Reichstag on November 14, 1902:

"The syndicate question has for a long time had such an important place in the economic life that the imperial administration has considered it a duty to observe the movement carefully. For the present, the imperial government takes a position neither for nor against syndicates."

Count Posadowsky, speaking on the same subject in parliament a few days later, said:

"Complaints about syndicates have become audible since the high tide of our production has been reached. On one hand it is affirmed that prices within the country are too high to enable home industries to compete with foreign industry in the world's markets, and on the other side that the syndicates often export at too low prices raw materials and half-finished goods, to the disadvantage of fully manufactured goods. The government has nothing to say at this time

upon these complaints. The impression is that the syndicates have been often deceived in their judgment of the market situation, because they are not in close enough touch with their customers. The fact is that the effects of the syndicates extend far beyond the direct buyers from syndicates to the extreme borders of our economic life."

Public opinion in 1902 and 1903 was more concerned over the powerful development of industrial combinations than now, and the influence of the agitation in America was felt in Germany. Parliament requested the government to inquire into the question. Count Posadowsky, as minister of the interior, directed the inquiry and laid the results before parliament in four volumes, which report fully and simply an immense number of facts about the syndicates, their organization, the movement of prices, their relation to their members, and their activities in the foreign market. The spirit throughout the report is one of detachment. The government acts as though it were a disinterested agent.

Herr Moeller, Prussian minister of commerce, said in the Prussian legislature while the government inquiry was in progress: "The problems connected with syndicates are difficult to solve,

but to overthrow syndicates would destroy the ability of our country to compete abroad."

The state and the imperial governments, through owning immense producing properties, have become members of syndicates, or work with them. The freight rates made by the associated state and private railway companies of Germany, under the supervision of the imperial federal council, make a distinction between the small and the large shipper, thus favoring the syndicate holding companies. The Prussian administration of mines, while not a member of the coal syndicate, has a common policy, although it is not friendly to the syndicate in some ways. The Prussian state digs 25 per cent of the Upper Silesian coal output, and more than one-half of that from the Saarbruecken fields, but in the centre of the coal-mining industry, Westphalia, Prussia has no independent ownership. Herr Delbrueck, now imperial minister of the interior, then Prussian minister of commerce, said in the Prussian legislature, November 26, 1907:

"I am asked whether we can prevent the coal syndicate from fixing prices arbitrarily. I pass over the question as to how far the syndicate has gone beyond reasonable limits in fixing coal

prices. The test as to whether prices have been fixed according to economically right principles will be applied in the event of a further decline in industry. We are not in a position now to exert influence on the syndicate's prices, and such influence would only be possible under general syndicate legislation, regarding which the necessary investigations have not yet been completed."

Herr Moeller, who preceded Herr Delbrueck as Prussian minister of commerce, said in the Prussian house of lords in June, 1905, in advocating a measure to ameliorate the conditions of labor in the mines:

"The reform is a consequence of the concentration of capital in the mining industry. I have often admitted the necessity of such concentration, and opposed anti-syndicate laws, but the government must show the syndicates that they cannot, in the public interest, go beyond certain limits; and such a transgression by the coal syndicate has occurred. The syndicate has taken a too masterful position toward the justifiable demands of the working people." The bill was adopted.

Professor Gustav Schmoller would give the state the authority to appoint one-fourth of the

directors of the larger syndicates in the public interest. He has also suggested that one-half the profits beyond a certain amount, for instance 10 per cent, should go to the state.

The imperial government has compelled potash-mine owners to avoid merciless competition among themselves by forming a syndicate. The governments of Anhalt, Prussia, and the imperial province of Alsace-Lorraine had for many years been members of the potash syndicate. It was formed in 1879 under the lead of the Prussian Government, with the government's two mines and two private concerns. With the opening of fresh mines and the increased market for the product the syndicate was from time to time enlarged. The Prussian *fiscus*, the board having control of the state properties, was always active in the formation of the syndicate, and a Prussian official was chairman. The syndicate agreements expired June 30, 1909, and could not be renewed because one powerful member believed that more money could be made by running his mines to their fullest capacity, extending them, and underselling the syndicate in the American market, the largest buyer. Long-term contracts were made by the insurgent within a few hours after midnight, June 30. When it became evi-

dent that agreement was impossible, the Prussian cabinet recommended to the imperial government a measure establishing a compulsory syndicate. The bill was accepted by the federal council, and submitted to parliament, but was withdrawn because of a protest by the American government on the ground that American contracts were unjustly affected. The bill was changed in terms, but not in effect, and adopted by parliament. The act, running for twenty years, allots to each of sixty-five mines the percentage it may mine, prices are subject to the federal council, should wages be reduced the mine's percentage of output is correspondingly reduced, and minute regulations protect the workman in hours of health and extra compensation. The statute is so drawn that mine proprietors, for their own convenience in complying with the requirements of the law, have been obliged to reconstitute the syndicate.

The acceptance by parliament of the principle that the state has the right of compulsory regulation of private production may have a profound effect upon the future in Germany. In the potash production it has enabled the government to exercise the vital powers that it would have over properties were they owned by the

government without buying them. Parliament would almost certainly have refused to grant the 200,000,000 marks, or more, which would have been required to buy the mines. The mine-owners, owing to the dissolution of their syndicate and the impossibility of agreeing among themselves, for the most part welcomed interposition by the government. Speakers pointed out that if the government could erect a state monopoly in potash while the properties affected remained in private ownership, the same thing could be done in coal or iron or any other product. The only limitations would be those of expediency. This assertion the government did not dispute. Ministers stood frankly upon the position that the monopoly designed was in the interest of the nation, that it would conserve a national treasure, that it would enable German agriculture to obtain fertilizers at a moderate price, and that it would enable the producers to make a large profit out of the foreign buyers. The government did not controvert, indeed it accepted the idea that other natural products might also be controlled by statutory syndicates.

The creation of government syndicates is a middle course between private combinations of capital and government ownership. The gov-

ernment, it is reasoned, will be able to have all the advantages of state ownership without investment, and without taking the management of individual properties out of the experienced hands of their owners. Should the potash syndicate work according to the expectations of its contrivers, Germany will probably have a succession of such state monopolies. An immense perspective of change is opened.

Although ministers have not at all times said the same thing regarding the centralization of industrial capitals, the attitude of the government of the empire and those of the states has been friendly. The indications are rather toward the government-made syndicate than toward legislative checks on the syndicates as now existing. The considerations underlying this position toward these combinations appear to be:

First, the prevailing official political economy, such as Wagner and Schmoller teach, that production on a great scale must inevitably replace individual company production just as factory production took the place of cottage industry. Therefore the most efficient and economical unit of production in an industry is likely, in some form, to be coterminous with the nation.

Second, the syndicate, after supplying the in-

ternal market, is able, with a relatively small additional cost, to turn out a surplus for the foreign market. The conviction is strong in Germany that the syndicates have been important, sometimes deciding, factors in the export trade.

Third, the syndicates have given life to smaller enterprises that might otherwise have been extinguished by competition without quarter or compromise. The syndicates have systematized and steadied production and distribution, so that alongside the syndicate works grew the independent works until strong enough to be worthy of attention; when they were, they were taken into the circle. The potash syndicate grew from the four mines existing in 1879 to the sixty-five forming the present statutory syndicate. The law provides for the admission of seven other mines that were being opened at the time the act was passed.[1]

Fourth, no strong party seeks to restrain the power and growth of syndicates. The imperial and state governments have been mentioned as apart from political parties, because the ministers

[1] Other new mines after five years may participate in the government allotments. Hence, at the end of 1912 thirty-four newly opened mines were in operation and waiting for a full share in the profits. The potash business shows, therefore, fresh indications of depression. —AUTHOR.

of these governments are responsible, under the German system, to the crown alone, and not to parliaments or diets. In theory, and also largely in practice, the imperial and Prussian governments are above and independent of parties, yet sensitive to public and party opinion.

One would suppose that the Social-Democratic party, with 4,250,329[1] votes in the country, would be resolutely and implacably opposed to the principle of trust organization. Quite otherwise! The Socialist position toward "trusts, syndicates, and rings" is defined in a resolution adopted at the national convention of the party for 1904 in Frankfort, in which it is affirmed that these combinations in all civilized countries, and especially in Germany, are the natural result of capitalistic production, and that they "hasten with increasing rapidity to their culmination." The purpose of associations of producers is declared to be the regulation of production and the fixing of prices so that the profits may be the highest attainable. "The competing middle and small producers are quickly eliminated as a necessary consequence of these capitalistic organizations," says the resolution. "The working classes have no occasion to disturb the revolu-

[1] The number cast at the Reichstag elections, January 12, 1912.

tionary process of the syndicate system through reactionary legislative attempts, because every progressive step in the centralization of capital whereby the interests of the masses are separated from the interests of property teaches impressively and visibly the irresistible superiority of nationally and internationally organized and centrally directed production over the scattered production of free competition. This development is, therefore, a step toward the realization of socialism."

The resolution avers, however, that the syndicate is a scourge that the capitalists use upon the workmen to depress wages, and that increasing social and political servility is inevitable; that it is a necessity for the working classes, if they would retain their manhood and self-preservation, to demand, emphatically and categorically, legal protection against any curtailment of the right of organization, and especially through effectual punishment of the attacks upon labor by the employer. The Socialist party, therefore, conducts a continuous, tenacious, and measurably successful agitation for better wages, shorter hours, and healthier factory and mine conditions.

During the discussion the speakers, in alluding to the campaign against trusts in the United

States and Canada, regarded the anxieties of the "small citizens" as exaggerated and as destined to be transformed into regarding the trusts as a phase in the progress toward collective production. The prevailing view was that the syndicates are restrained from fixing prices despotically high because of the latent power of competition, ready at any time to produce when an artificial condition is pushed beyond moderate limits.

The Socialist party, with somewhat more than one-third of the votes cast in Germany, draws within its organization most radicals. The attitude of the Socialist party, therefore, toward the syndicate and trust question represents the classes and the thought which in America are most active in the agitation against combinations of capital. Journalists are numerous among the leaders of the party. The men who in other countries are sometimes called muckrakers feel themselves estopped in Germany from attacks on capital, except in the orthodox Socialistic way. Since the Socialists accept trust production as an inevitable phenomenon of the period, and not to be resisted on principle, the government is relieved of criticism from that source of its friendly bearing toward the syndicates.

By odd chance the Conservatives, the moneyed national Liberals, the so-called free-thinking Radicals, and the Socialists hold in wide outline the same convictions regarding the legitimacy of syndicates. The landed interests, so powerful politically, are committed to an approval of the syndicate principle, because the great land-owners are members of the alcohol syndicate, and are beneficiaries of the sugar combination. Land-owners are united in numerous associations with common selling agencies. For instance, the sale of milk in Berlin is controlled by a land-owners' association that adjusts the prices according to what the buyer will pay. Besides, agriculture is so highly protected that the conservative land-holding interest is not disposed to complain of syndicate manipulation in non-agricultural production.

I have endeavored to show that the attitude of all the interests — agriculture, finance, mines, manufactures — is united upon a recognition of the syndicate idea as a necessary principle in production, and that both conservative and extreme radical thinking support this view. It is easy, therefore, for the government to be well disposed toward the plexus of monopolies that penetrates every part of German production and

distribution. Under such favoring political conditions the unifying of control of the immense fabric of German finance and industry has advanced to its present highly centralized position, so that it has been called "a state within a state."

VII

TAXING THE INCREASE IN LAND VALUES

THE imperial German Government in 1909 began to tax the increase in the value of land and went further in that direction in 1910. The percentage taken under the revised act is from one-tenth to three-tenths of the increment. One-half goes to the imperial government, 10 per cent to the states for collection, and 40 per cent to the municipalities or communes. Although the accounts for 1912 have not yet been closed, it is estimated that the increase in land values will amount to about $60,000,000 and that the tax will be about $9,000,000, divided according to the foregoing percentages. This limited application of the "single tax" illustrates so well the prevailing views on the land question that extracts from the memoranda read to the Reichstag committee, November 26, 1910, by Herr von Wermuth, the imperial minister of finance, are worth while:

"The proposal for a tax on the increase in real-estate values," said he, "emanated from the Conservative party. It is to be found in a motion proposed by Herren Dietrich, Nehbel, Roesike, and Count von Schwerin-Loewitz, on April 23, 1909. It subsequently gained the warmest appreciation and support of all the parliamentary groups. I shall mention the efforts in favor of it by Prince von Hatzfeld and Baron von Gamp, members of the Conservative party; Doktor Weber, Doktor Paasche, and Herren Sieg and Fuhrmann, of the National Liberal party; Doktor Wiemer, Doktor Müller-Meiningen, and Herr Momsen, of the Radical People's party; Herren Geyer and Stücklen and Doktor Südekum, of the Social Democrats; Doktor Spahn, of the Clerical party; and Doktor von Skarzynski, of the Polish group."

The minister of finance had, therefore, the support of every party in parliament for the tax. Herr von Wermuth, reviewing the period during which the bill was prepared, said: "We submitted it to outside discussions as far as possible without losing sight of the fact that, in view of the strong opposition of interests, it was essential that the discussion should be based on exact proposals. . . . We entered into relations with a

large number of persons competent to form an opinion. We have consulted bankers, capitalists, mine-owners, merchants, land-dealers, landlords, municipal governments, chambers of commerce, professors, agricultural experts, and economic writers. Many of them had objections, some in principle, others because of their private interests. Yet in process of discussion many of these objections were modified or withdrawn. Thus, real-estate dealers agreed that, as the question was well under way, all they desired was that it should be settled as soon as possible, because delay was prejudicial to their interests. I met numbers of persons who preferred an imperial tax to one laid by the municipalities, because they believed that the imperial tax would not cause so much uncertainty and would not be assessed arbitrarily. The government has found that very many of those who opposed the tax at first have become favorable to it. My statements are not merely rhetorical. I stand ready to furnish proofs in support of all that I have said."

The finance minister had made a personal study of the real-estate conditions in the Berlin suburb of Reinickendorf, where land values have gone up one-thousandfold during thirty years.

"In Reinickendorf," said Herr von Wermuth, "there is a strong antagonism between landlords who have built on their properties and those who have not. The non-builders protest against the tax on increased values, although the rate of taxation is unusually low in Reinickendorf. They are opposed to being taxed unless the landlord is receiving a cash income. They wish at the same time to abolish the tax on building plots and supply the deficits in municipal revenues by increasing the income-tax. The land-owners who have built apartment houses on their lots protest vehemently against any such reduction of the taxes on unimproved property because it would tend to raise the taxes on improved property. We have here two examples which show where the interests of town dwellers lie."

The minister of finance had collected the opinions of landed proprietors and of agricultural bodies. One such opinion from Thuringia he read: "If the value of agricultural land increases because it is close to a town, a railway line, or a canal, the enhanced land values ought to be taxed because they are in no way due to the efforts of the owners. Besides that, the value of lands fluctuates and, owing to circumstances outside the control of the owners, the values in-

crease abnormally. . . . A tax on increased values will therefore check abnormal transactions."

Herr von Wermuth recited the growth of city populations in Germany since 1871. Hamburg had increased from 239,000 to 907,000, Bremen from 82,000 to 240,000, Stettin from 76,000 to 245,000, Koenigsberg from 112,000 to 243,000, and Kiel from 31,000 to 208,000. All of these were sea-coast cities. The industrial towns had increased in even greater proportion. Thus Düsseldorf had increased since 1871 from 69,000 to 358,000, Dortmund from 44,000 to 209,000, Essen from 51,000 to 300,000. The land values had increased proportionately. The minister submitted tables going into much detail, showing the prices at which land had been transferred within thirty years. In Berlin values had increased from 500 to 1,000 per cent, depending on the location. The foreign commerce and manufactures had undergone a development, he said, during the same period, which had caused real estate to enhance in value. The progress of the whole of Germany in every direction had been brought about to a considerable degree by the measures of the imperial government. The imperial government, therefore, was entitled to

take for its purposes and for the benefit of the whole people a part of the increase in value.

The committee to which the finance minister read his memoranda was composed of the leaders of all the parties. None of them had anything to say against the statement of facts submitted by the minister. This seems extraordinary, because half a dozen of the members were provincial landed proprietors and it would have been supposed that they would not have consented under any circumstances to a tax being laid on the increase in the value of their properties. They did so, however, for two reasons: first, that the tax would be much heavier on city properties because they were increasing in value more rapidly; and second, for the reason that agricultural lands are transferred less frequently than city property. The tax is reduced by one per cent for each year that has elapsed since the last transfer of the land.

The remarks of the finance minister on this subject have been given with so much detail because the views that he expressed had been previously approved by the imperial chancellor, Herr von Bethmann-Hollweg, by various other ministers who had been brought into the preparatory discussions, and finally by the Emperor. The utter-

ances, therefore, of Herr von Wermuth are much more than individual opinions and represent peculiarly the ways of thinking of the governing body at the top of the German monarchical system, faithfully supported also by the aristocracy, and, in this particular land measure, as we have seen, by all the parliamentary parties.

VIII

MONARCHICAL VERSUS RED SOCIALISM

EMPEROR WILLIAM, democrat and monarchist. As democrat the Emperor lives intellectually in all the progressive thought of the time, striving with comprehensive plan to advance the German in mental training, in technical efficiency, in physical and spiritual well-being. He welcomes the distribution of wealth and ideas, and leads in the crown socialism that is transforming economic Germany. As monarchist he is tenacious of prerogative, glorifying the services of the Hohenzollerns to Germany, resisting almost immovably those who seek to share what is his by hereditary right, determined to pass on the splendid estate unimpaired to his children. The statesmanship of this duplex personality conserves therefore every privilege of semi-autocracy and yet uses the forces of the state for a proportional development of the whole. The monarchy and the powers of government associated with it have advanced in

swiftly succeeding stages, considering the life of nations, to a peculiar aristocratic socialism. Political power remains in ancient forms and yet takes over the direction of modern economic forces. Monarchists meet the deep currents of socialism by making their own some principles of the new economy and retaining resolutely the entire application of them. An extraordinary mental and political civil war is in full movement, in which monarchical socialism keeps the mastery of material development against republican revolutionary socialism. Although monarchical socialism is in possession, the vast organized striving of another class socialism, the workingman's socialism, causes conservatives annoying apprehension.

The rise of socialism as a political force in Germany in the sixties and seventies was looked upon by Bismarck as tending to destroy the monarchy, the church, the family, and the very means of material well-being. He advised the crown to make the expression of socialistic ideas a crime. The anti-socialistic laws were devised, fining and imprisoning those found guilty of approving socialism as taught by the Social-Democratic party. They were enforced relentlessly during twelve years, with the complete thorough-

ness of a strong and efficient government. They could not arrest discussion nor reduce, except temporarily, the socialist vote. The vote did fall from 493,300 in 1877 to 437,600 in 1878, and again in 1881 to 312,000, but thereafter the vote rose to 550,000 in 1884 and to 763,000 in 1887. When Bismarck, in 1890, the last year of his chancellorship, asked the Reichstag to re-enact the socialist laws and make them a permanent statute, he failed to convince a majority, no doubt because it was privately known that the present Emperor, who had in the meantime come to the throne, had small confidence in their effectiveness.

Correlated with Bismarck's legislation repressing republican collectivism were his wide schemes of state socialism spreading over German economic life. By these he sought to conciliate the working classes. The thought and sustained effort that Bismarck gave to social modification issued directly from his religious and monarchical convictions. "A state," said he, "consisting for the most part of Christians, should be permeated to some extent by the principles of the religion it professes, especially in regard to the help one gives to his neighbor and sympathy with the lot of old and suffering people." "The

votes given to a socialist candidate," said he on another occasion, "denote the number of persons who are discontented. . . . This discontent with one's condition is natural to man. The desire to improve one's position — to get on — is a desire that God has implanted in man and those who vote for the socialists do so in the hope of bettering themselves."

Bismarck, talking long afterward to W. H. Dawson, upon the origin of the industrial insurance laws, said:

"My idea was to bribe the working classes, or shall I say, to win them over, to regard the state as a social institution existing for their sake and interested in their welfare."

"It is not moral," said the prince, "to make profits out of human misfortunes and suffering. Life-insurance, accident insurance, and sickness insurance should not be the subjects of private speculation. They should be carried on by the state or at least insurance should be on the mutual principle and no dividends or profits should be derived by private persons."[1]

Emperor William II grew up in the midst of political thought of an advanced sort. He was taught the economic philosophies of Wagner and

[1] Dawson's "Modern Germany," vol. II, 349.

Schmoller, state socialistic systems purely. Under William I and Bismarck the Prussian and the imperial governments had taken the first far steps in the direction of socialistic changes. Emperor William II and his advisers, living in the same order of political thinking, have continued, as we have seen, the reaching out of the state into fields of economic effort reserved in most other modern states to private persons and companies. The imperial government has adopted numerous measures limiting individual control in private business, the most interesting of which to the student is that curious law of 1910, mentioned in Chapter VI, placing potash-mining under the control of the federal council which fixes prices and the proportion of foreign and home sales.

The extraordinary thing about this is the utilization by the monarchists of what one of them has called "the master force of the age" to maintain old sovereignties. That which is still considered destructive socialism in some countries is appropriated by the Crown and called monarchy in Germany. Every collectivist addition to the responsibilities of the state brings a new corps of employees under the immediate control of the functionaries of government. The monarchy extends its power over the individual

fortunes of its subjects. The new ascendency operates both economically and socially. The employee of any government-owned undertaking feels that he is a part of the glittering paramount social institution that commands the world, the world as it is known to him. He is treated by the agents of this remote centralized splendor with mingled severity of discipline and favor. The certainty of employment throughout life, if his behavior and his principles are sound, a pension in old age, a differentiation socially from those not employed by the state, work toward his satisfaction with the order that is. He is probably entitled to wear a uniform and after an interval of years his sovereign sends him a medal of honor.

Society and wealth are interwoven more solidly with the government in Germany than in the United States, or in England, or in France. It is as though the White House stood at the summit of exclusive society, not only of New York but of all America, and by means of social realities had a predominant influence over the wealth and rank of the country. In such a country as Germany, social position is the cement that holds in place wealth, talent, and rank. While democratic socialism has ceased to

be a felony before the law court, it has become a social offence without commutation of sentence or recognition of extenuating circumstances. No one may hold any position in the public service, not even that of a section hand on a railway, and admit that he is a socialist, nor may he teach in any school or university. The "color line" that places the member of the Social-Democratic party below caste is also a force that simplifies leadership above. Aristocratic socialism, when the initiative is with the sovereign, draws easily with it the nobility, the great industrialists, and all lesser gradations of position and wealth, even to the "white-collar proletariat," as red socialists call clerks and office employees. Only two or three times in forty years have the Conservatives departed from their principle of steady unquestioned support of crown policies, socialistic or otherwise. In 1873 they gave only partial approval to certain tax proposals in Prussia, and in 1909 they refused to concur in Prince Bülow's inheritance taxes. They joined in the criticism uttered in the Reichstag in November, 1908, against the Emperor's having talked freely in England in private conversation about German foreign affairs and the anti-English feeling of a majority of his people.

Over against respectability finely and traditionally organized with the church both Protestant and Catholic, the schools and universities, much of the press, and that wonderful body of men that leads militant industry and enterprise, stands implacable workingmen's socialism. This theoretic collectivism is a philosophy, or a religion, or a political platform, or a materialistic hope of the four millions and a quarter of German men who supported the candidates of the Social-Democratic party at the last general parliamentary elections in January, 1912, and returned 110 members out of a total of 397.[1]

Doctrinaire socialism is subtle enough and comprehensive enough to give its followers adequate mental footing. In a monarchist and aristocratic country the principles of socialism have behind them the emotional forces that have won the long battles for political liberty in England and by inheritance in the United States. Freethinkers find in it a new theology, and as a projected system of government and political economy it engages the hopes and the imaginations of those who see the failures and limitations of the things that are. I know nothing like German socialism in the politics of other countries,

[1] The precise vote was 4,250,329 out of a total of 12,206,808.

for the grip it has on the thoughts and emotions of the men and the women who have equal rights within the party. The party organization is quite extraordinary, extraordinary for immediate results in the campaign and more for the long look ahead. The mothers and fathers are persuaded that, while material ease and happy social conditions will most likely never be theirs, their children may win them if they know how to take hold of the levers that the socialist party offers to their hands. Therefore, the child must learn the meaning of socialism and all that it may do for himself and his class. Socialist mothers undertake to put their children on the path. Numerous little stories and romances with a socialist moral are in circulation for young people, and the socialist lecturer with magic lantern entertains and informs. Dramatic and operatic performances, with socialist motive, are given in all cities of importance. Pictures, texts, and mottoes with the party thrill in them are on the walls of half a million dwellings. The party owns seventy-six daily newspapers, a press association, several illustrated periodicals, and fifty-seven publishing houses. The literature, including a considerable range of excellent non-socialistic books, is immense.

The party has two hundred central circulating libraries and three hundred and seventy-seven branches. The management of the party acts upon the principle that all stimulating scientific, poetic, philosophic, and romantic literature advances the cause. A variety of special books, designed to detract from the reverence and respect for the Emperor taught in the schools, are circulated. They are written boldly, yet with caution sufficient to keep them within the laws against *lèse majesté* and sedition. The party is heavily officered by writers and speakers, some of whom make it a kind of game to shoot their arrows as near the royal reputation as they may and still escape prison. The "muckraker" is numerous and active in Germany and assails the high by witticism, cartoon, cool analysis, and passion-wrought phrase.

The party maintains an academy at Berlin for instructing the paid provincial secretaries and organizers on the intellectual bases of socialism. National economy, as examined in the light of socialistic dogmas, is taught there, the history of socialism, the history of the development of society, the history of Germany, the arts of expression in speaking and writing, practical journalism, the rights of working people under the

law, and the legal boundaries of agitation. The party has something of the unity of the Catholic Church. All agitators say the same thing.

Of the forces that work for republican collectivism in Germany, the one most powerful, slow-moving, and enduring is class consciousness. Trades-unions have been developing group consciousness during three generations. The socialist would extend this consciousness to the mass, choosing as the limit of his sympathies a level about one-quarter below the apex. Beyond that stratum he would have his class regard mankind as dehumanized, thus transposing the formula of the Austrian archduke who said that "Humanity begins with the count." Socialist leadership, through local organization in which good will and equal individual rights decide things, does succeed in making the hand-worker feel that he is not alone as against the official, the employer, the land-owner, the noble, the magistrate, or any one who somehow, either by inheritance, personal dexterity, or accident, as he may think, has a position above him. This putting of class against class is stimulated by the easy habitual superiority of the quarter at the top. The school-master's sharpness, the caste

spirit of the whole body of permanent civil servants, even that of the clerk in the post-office, the somewhat harsh discipline in the army, the system of manners and class etiquette, and the remoteness of one social division from another give the daily incitement to class unity below, organizing around convictions of what appears to be economic and political right. As the numbers and strength of the organization increase — and they do increase with a regularity that seems almost like the operations of a natural law — the workers without are made to feel that by non-participation they are betraying their own people. The zeal of partisans during election time leads to instances of terrorism against the froward. This flourishing class consciousness is the subtlest adversary of the existing order.

Aristocratic socialism and its works, far as they go when observed from more individualistic countries, are rejected by thorough-going collectivism as trifling with a great cause. The Emperor and his advisers of the state socialistic school are looked upon as having harnessed a wonderful verity to the service of monarchy and of a modified individualism. Imperial socialism is regarded as vitalizing sick and fading institu-

tions, as hindering the passing of economic and political forms that have been essential to progress but are ceasing to be so. Governmental socialism replies that class socialism from below is a monster of teeth and claws, without a brain, tearing at the national life, that the driving emotions are hatred, covetousness, envy, and silly destructiveness.

Monarchical socialism, for all the fervor of the republican collectivists and their numbers, occupies positions of commanding strength. The agitations of the Social-Democratic party, the possibilities of real danger in the movement, brace the monarchists to efficiency and prudence in administration. Hostile criticism searches out the weak places in the system and they are repaired by the government. The constant effort is to make the monarchy with large powers a rational and ethical general manager of a joint-stock company. Mere numbers do not appear to count against trained talent, placed so abundantly at the disposition of the government, especially when talent takes care to act upon standard principles. Were the large officer class indolent and self-indulgent instead of being kept working up to the edge of nervous strain, or were the permanent civil servants lax concerning public money and

incapable, or were ambitious devotion to the Crown working hap-hazard and not according to plan, the tide from below might submerge them. More than all, the prosperity of Germany, while it has demonstrated that the rich are getting richer, has not demonstrated that the poor are getting poorer. The prosperity of the country and the arrangements of the state for allowing the mass of workers below to share somewhat in it, have lifted the whole people, except that sad thin stratum of the defective and inefficient at the bottom. The aristocratic government has for the present a grasp of the representative system which will be hard to loosen. The territorial outlines of the imperial parliamentary districts have not been changed since the empire was founded. Population relatively has shifted from the country to the cities. The cities and the industrial municipalities are precisely where workingmen's socialism is strong. Old traditions have kept their hold on the rural communities. Hence a farm hand's vote has three times the elective value of the factory operative's. A great city, such as Berlin, returns six members, five of them Social Democrats, while according to population the capital should have sixteen seats. Some industrial districts, which meas-

ured by numbers should have four members, now have but one. In several country districts members are returned who have only received one-twelfth as many votes as those necessary to elect a member in Berlin. Therefore, the nominal constitutional equality of individuals does not exist. In the state legislatures the influence of property is strangely beyond the ratio in any other modern country. Thus in Prussia, with a population of 41,000,000 out of the total 65,000,000, the three-class property franchise gives fifteen per cent of the voters two-thirds of the electoral power. These inequalities, although the subject of fierce agitation, are clung to with unshaken tenacity. Such inequalities must, of course, yield in the end, although in Prussia the end is likely to be long delayed. The middle classes, quite as much as landed squiredom, refuse equality of ballot to those in the third or small-property class. Collective-ownership economists, affirming that their theory of industrial organization becomes yearly more necessary to the nation, urge patience. No violence, no threats, but steady appeal to the reason and self-interest of the mass. The results, as marked at the Reichstag elections during forty years, have been:

1871	124,700	1890	1,427,000
1874	352,000	1893	1,789,700
1877	493,300	1898	1,107,100
1878	437,600	1903	3,010,800
1881	312,000	1907	3,259,000
1884	550,000	1912	4,250,329
1887	763,000		

These impressive figures change their character somewhat upon examination. The Social-Democratic programme is a wide one and attracts a secret ballot from many a man of convictions on subjects unrelated to the ownership of the "instruments of production." The Social Democrat would make religion a private matter by separating church and state, thus depriving the Lutheran, the Catholic, and the Jewish churches of their proportionate share of taxes collected for religion. He would stop increasing the army and navy, give the ballot to all women twenty years old, secure to communities local self-government, provide free instruction in the higher schools, and require the yearly assessment of taxes by representative assemblies instead of having large categories of taxes run permanently without annual examination. The great enterprises of government, such as railway ownership, have no sure check on the votes of employees. They may wear the uniform and yet hold hereti-

cal opinions privately, expressing them only by ballot.

Social Democrats in thought like to elevate their movement above national boundaries and feel that they have hold of principles that will transform the life of the world. Every success in Germany is regarded as having an influence throughout Europe and America. The ruling Committee of Seven gave a subsidy of ten thousand marks to the principal socialist newspaper in New York last year and ten thousand francs to a newspaper undertaking in Spain. German socialists are strongly committed to agitation in Russia, and give help freely to the Scandinavian brotherhoods.[1]

From what has been written here, it might be supposed that the two schools of socialism — monarchical and republican — divide German political thought between them. That would not be a complete generalization. An important body of opinion, especially among the commanders of industry, holds to the old individualism and gives assent to government ownership or control either as a forced compromise or as reasonable only in national undertakings such as transportation or forestry. It would seem

[1] See Appendix B for the Social-Democratic party's full programme.

as though these influential individualists are obliged to form a following acting with the conservative parties, without being strong enough to decide policies. The great manufacturers, so powerful in England and the United States, are singularly weak politically in Germany. In the Reichstag and the state diets they are always in an inferior position to the landed Conservative and to the Catholic parties. As a political influence they are only mildly articulate.

From action and recoil, economic adventure and class compromise, German institutions are being changed strangely. Thus far the efficiency and the gathering momentum of the national life do not appear to have been weakened. German thought, research, and discovery are studied attentively in foreign laboratories, universities, and workshops. German enterprise is met in every market. In European politics and diplomacy the German shadow falls across the aspirations of great neighbors who do not feel free to act without consultation and combination. The observer from another continent, whatever his angle of observation, may allow another generation or two to pile up results before trying to forge a sure judgment. The German cannot wait. He is deep in the battle of ideas and is

forced to conclusion because he must choose a side and act. He cannot avoid the urgencies and possibly the terrors of his progress.

IX

LOOKING TOWARD THE FUTURE

THE foregoing chapters sketch some attitudes of the monarchy toward specific social problems and outline some governmental forms in the making, which, although unfinished, already penetrate to the foundations of German economic life. These institutions and others like them now germinating before our eyes pre-existed in the thoughts of certain professors and writing men. Statesmen, including sovereigns and subjects, took over the ideas and wrought applications of them by decree, statute, and administrative act. Thus initiated, watched, and tended by ministers and convinced bureaucrats, constructions that seemed cold and rigid changed into living, growing institutions. The observer seeing them arise, noting the direction in which they develop, would like to complete them mentally, add to them and form conceptions of the German national life as it may become in decades beyond this one. Seeing that the statesmanship of the crown and its advisers had expression first in books and

pamphlets, one may look into them for a fuller idea of what may conceivably be done in these coming decades.

The master economic thinkers within the view of ruling statesmanship in Germany are Adolph Wagner and Gustav Schmoller. They have lived to see their ideas built into the German state and imperial system by the old Emperor and Bismarck and by the present Emperor and his line of chancellors. They abandoned the notion that political economy has any finality in it or that it is to be studied with any expectation of discerning and laying down absolute principles. The economist may observe the facts of social and economic life as they are spread out before him, note the inefficiencies, the waste of effort, the inadequacy of means to ends, and, more than all, the non-ethical tendencies that distort and weaken the state and therefore every individual in it. Institutions are to be judged by their benefit to the greatest number. The government can bring this about for the community only by taking interest directly in the social and economic arrangements, and by limiting the freedom of individuals and groups should their activities appear upon examination not to serve the general aims of the organized

life. Finer individuals, ethically and intellectually, are likely to be evolved according to this conception, individuals with freedom to rise spiritually and mentally because they have partial economic liberty. This freedom may increase with the achievements of the nation in co-operation, invention, and the mutual goodwill of classes.

Wagner, Schmoller, Schoenberg, Schaeffle, and others, originating and supporting principles of monarchical socialism, took the middle course between the extreme socialism of Lassalle, Marx, and Rodbertus, which would have a democratic government do everything, and the individualism of the Manchester school, limiting the powers of government to the simplest functions of administration and defence. The endeavor of German statesmanship has been to hold to everything in existing social arrangements necessary to produce individuality in the higher orders, and yet to intervene in education, sanitation, sick, accident and old-age insurance, the physical training of youth in the army, and to participate in transportation, forestry, mining, farming, and industrial enterprises, designing thus to raise the lower orders mentally, physically, and economically, so that they too become

worthier individuals, adding to the power of the state and the monarchy. The intervention of the government is to be determined by expediency. The government, guided by circumstances, is ready either to take part in phases of economic life or to let individualism remain in control of them. As Wagner is the pre-eminent thinker in this sort of socialism, one may look into what he has written to see what he counsels for the future. Although the writer has read a good deal of Wagner's abundant writings, he cannot summarize this constructive economist's views better than W. H. Dawson did twenty-three years ago:[1]

"He [Wagner] laments and condemns the existing 'moral indifferentism in the domain of economic dealings.' It is not enough to talk of buying and selling labor, and to give and receive money for labor as its price; we must remember that the relation of employer and employed, the producer and consumer, is that of man to man. To him the idea of 'regarding labor power as a commodity and wages as its price is not only unchristian, but is inhuman in the worst sense of the word.' He says plainly that the object he has in view is to give the working classes a

[1] "Bismarck and State Socialism," 1891.

better share in the advantages and the blessings of civilization, which are so largely the results of their labor. Not only have they a right to generous education and to free enjoyment of the agencies of culture possessed by the nation, but they can justly claim a higher degree of material welfare — in other words, a larger share in the national income. How is the latter to be secured? There are two ways in which the desired end may be reached. First: The workman may benefit by the increasing productivity of national labor. This, however, would at best be a slow and uncertain process, and Wagner advocates a more effective method of raising the position of the workingman. Second: Labor may benefit at the expense of capital, the lower classes may benefit at the expense of the higher, by the latter giving to the laborer better remuneration, higher wages, which implies the reduction of profit, interest, and rent in their various forms. Wagner's position differs from that of the Socialists in that they would abolish social inequalities while he would only seek to diminish them."

Professor Wagner wrote for the *Tuebinger Zeitschrift* in 1887 a programme for political action, in part subjoined:[1]

[1] Mr. Dawson's summary.

I. A better system of production, by means of which production may above all things be assured an ordered course, instead of the utterly irregular one which prevails at present. Prevention of the employment of "economic conjectures" by individuals at the expense of others; therefore, checks against speculation. More comprehensive participation by the mass of the population, especially by the working classes, but also by other people in humble positions, in the material benefits and the blessings of civilization caused by the increase of the productive forces; therefore, increase of wages both absolutely and relatively, considered as a quota of the produce, assured employment, restriction of the hours of labor, especially of daily labor, to an extent called for by sanitary and moral considerations, and suited to technical circumstances at any given time, the term varying, of course, in different branches of production; exclusion, as far as possible, of children from paid employments, especially when the conditions are sanitarily and morally dangerous; similar restriction of female work, especially in factories; adequate precautions against accidents during employment and provision for their consequences; insurance against sickness, incapacity, and old age, with provision for widows and orphans. Consequently, special development of all the legal maxims — both in public and civil law — measures, and institutions which are included in the catchwords "protection of the workingman" and "industrial insurance," or "industrial insurance legislation."

II. Inclusion in the administrative duties of the state, the parish, and the other public bodies of such measures as conduce to the moral, intellectual, sanitary, physical, economic, and social advancement of the mass of the people; so far as may seem necessary and expedient, the expenditure of public money for these purposes, without fear

of the "public communism" which would to some extent be thereby encouraged. This implies the recognition of the principle of state help — legislative, administrative, and financial — for the lower classes conjointly with self-help and the co-operative system.

III. Adjustment of financial arrangements in such manner that a larger part of the national income, which now falls, in the form of rent, interest, undertaker's profits, and profits from "conjunctures" (profits due to speculation, chance, spontaneous increase in values, etc.), to the class possessing land and capital and carrying on private undertakings, may be diverted into public channels. Transference to the state, parish, etc., of such land, capital, and undertakings as may economically and technically be well managed in public hands, and such as most easily develop in private hands into actual monopolies, peculiarly tend to enterprise on a great scale, or even now are carried on by public companies, a form of undertakership which in its advantages and defects approximates to public enterprise both economically and technically. . . . [Here Wagner proposes to place such undertakings and institutions as means of communication and transport, the banking and insurance systems, water and gas works, markets, etc., in the hands of the state or the parish. His idea is that the state and public bodies would and should deal more considerately and generously with their officials and employees generally than private undertakers and capitalists, and that their good example would be a social blessing.]

IV. Public revenue to be so raised as to allow of the "communistic" character of public bodies, above described, being developed wherever decided objections, consequent upon the peculiar circumstances of the case, do not exist. This "communistic" character to be strengthened in favor of the poorer and socially weaker classes, with whom the

economic and social struggle for existence and for social advancement is severest, by means of a system of administrative measures calculated especially to benefit them, yet the cost of which shall be defrayed by the general revenue and taxes. But this "communistic" character of state activity to be weaker where the interests of the well-to-do and richer classes of society come especially or exclusively into question. Here expenditure should be rather covered by a just system of taxes — including taxes based on the principle of taxation according to benefit — than by the use of the general revenue. This implies the regulation of the post, telegraph, and railway tariffs, judicial charges, school fees, etc.

V. Taxation to be so adjusted that, besides fulfilling its primary function, that of providing the revenue needed to cover public requirements, it may as well as possible fulfil a not less important indirect purpose, which is twofold: (1) regulative interference with the distribution of the income and wealth of private persons, so far as that distribution is the product of free economic intercourse — as by the medium of prices, wages, interest, and rent — with a view to counteracting the harshness, injustice, and excessive privileges caused by the distribution obtaining in this intercourse; (2) and at the same time regulative interference, supported necessarily by further administrative measures, and eventually by compulsion (as in the domain of industrial insurance) in private consumption. This latter can be done by making the lower classes provide — by means of direct and indirect taxes, especially indirect (excise), which in this connection are often very suitable — the revenue necessary for administrative purposes calculated to benefit them, this being effected by diverting income which they may be applying to improper, perhaps injurious, or at least less necessary and wholesome, pur-

poses (*e. g.*, drink) to purposes more beneficial to society, the class, or the individual. This two-sided policy of taxation I call social. The second side here advanced . . . is based, as concerns the mass of the population, the lower laboring classes, on the assumption that in the truest interests of the nation a guardianship may and must be exercised over the national consumption or over the application of income to personal purposes.

The foregoing programme, in part or in whole, amplified here or restricted there, has been broadly the programme of economic teaching in German universities and of dominant political action during a generation. Although one cannot assume that the monarchy has taken over these conceptions in a block, they indicate the general direction in which German statesmanship is headed. The rightness of the ideas can be determined by experience alone. They have been slowly gathering a momentum in Germany which nothing probably can stop except detrimental consequences.

The experience of the German people in testing on a great scale certain social and economic ideas must have significance for other peoples whether that experience be favorable or unfavorable.

X

EMPEROR WILLIAM II

IT is not easy to leave these essays on economic Germany without some further reference to Emperor William, upon whom more than any other German rests the responsibility of seeking to raise the whole people by a modified socialism. The Emperor does his work under intense criticism. His own people, the most critical probably in the world, are his sharpest and unkindest observers.

"Those who live under the strong hand," says one anonymous pamphleteer, "may at least observe whether it is manicured or not."

The sneer, the derisive anecdote, the contemptuous remark are the natural means of political expression of even highly placed subjects in a semi-autocratic monarchy.

The international situation in Europe is such that every act and utterance of the Emperor is studied abroad with the purpose of seeing something to his disadvantage. All the agencies of detraction are at work both in and out of Ger-

many to weaken and discredit the master of the German commonwealth. The Emperor and the ruling group near him are no doubt more sensitive to criticism than they would be were they elected by the people or responsible to parliamentary majorities.

Yet, taking impressions about the Emperor both within and outside his country, he has grown in the respect and confidence of public opinion during the twenty-five years of his reign. One may even imagine the Emperor, already gray, becoming venerable and admired for qualities not appreciated during his more arduous years. Take the Emperor's habit of frank speech in public and in private.

"Bismarck told me," said the Emperor on one occasion, tapping his breast with a forefinger, "that every man has the scoundrel in here. You may not see him but there he is ready to jump out at you. Such a man was not a suitable adviser for a sovereign. For in a sovereign, suspicion is ruin."

The Emperor did not mention when it was that the chancellor whom he afterward dismissed thus counselled him, but it may be supposed as having been during the course of those lectures on state-craft that the veteran gave the

Emperor when he was heir presumptive. The statesman who had said that the lie was the seventh power in Europe must have discerned that the young prince believed in mankind, that he was one of the most open, one of the least distrustful of men.

William II enjoys the give and take of conversation and probably finds therein something of that contest on equal terms which as a sovereign is denied him in affairs. He is gifted in the after-dinner thrill, the surprising remark on a foreign situation, the dramatic story of a personal experience, the latest disclosure in the news of the day, or some thoughtful observation on the meaning of things. His sense of humor is unfailing. He follows up a story with one equally good and pertinent.

The personal attributes that affect the Emperor's administration appear to be the every-day virtues of clean living, hard work, and knowledge. I call them every-day virtues, though in the high degree in which they are combined in the Emperor they are rare and distinguish him from most of mankind. Like General Sherman, the Emperor sleeps short hours; five or six keep him refreshed and at his best. He has, therefore, two or three more hours in each day for

other things year in and year out than most men. The Emperor during the late spring and the summer months is often on the drill-ground at five or half-past in the morning, although he had probably gone to bed later than any junior lieutenant of the regiment. Thence, through a long day of various public engagements, audiences, social or semi-social, semi-political affairs, he manages to put in from four to six hours desk work examining reports and documents directly concerning public business. His examination is in no way formal or hasty. The ministerial archives contain simply thousands of papers upon the broad margins of which the Emperor has written suggestions, alterations, comments, or questions vital to the subject.

The Emperor is a man greedy for ideas. In his great position they come pouring in upon him from every quarter and he goes out to seek them whenever he thinks that a man or an object can supply them. His interest in life and in every variety of it is extraordinarily sustained. Members of his entourage feel a certain exhaustion after having been with him. Their minds and spirits fail to keep up with his rapid vitality. Others simply like to gather and purvey thought to the sovereign. Another kind of man agree-

able to him is the large, slow individual, not too rich in ideas, whose presence is restful and whose chief merit as a courtier is the habit of calm listening. The Emperor has the power to draw out of a man the best in him. In those summer cruises to the northern seas he will take as his guests twenty, thirty, or even forty of the most vigorous minds and active, driving men in Germany for his mental recreation. Probably no man knows as much of the new things in the world and the expectancies of life as he. Orville Wright found his knowledge of aërial mechanics singularly complete and his intelligence at work upon precisely the sides of the problem that ought to be solved next.

A bureaucracy endeavors to take more and more power into its own hands. Hence the functionaries of state surrounding the sovereign, even though selected by him, regard jealously any word or public act of his that they have not advised and which has not been spoken or done through them. Some of the protest at home against the Emperor's utterances has been encouraged secretly by members of the government. They have looked with a certain satisfaction also upon the effects abroad of some things the Emperor has said, their constant ef-

fort being to limit his prerogatives except when exercised through them. The Chancellor and his ministers, having the public responsibility of representing the Emperor in governing, do not wish him to be taking counsel outside their circle, or to say things unexpectedly which they must explain and support officially.

The late Baron Fritz von Holstein, for sixteen years the guiding mind of the Foreign Office, once remarked of the Emperor:

"His Majesty takes a dramatic result for a political success." The Emperor, von Holstein added, was therefore often delighted when some speech or conversation caused agitated comment.

Is the Emperor equal to his immense work as the permanent executive of the German union of states? or one might ask, Could any man be equal to the task? With his powers under the German constitution and his larger powers as the King of Prussia, Emperor William is incomparably the strongest political force moving the German people. How has he met these enormous responsibilities? The government of Prussia and of Germany is the reply. To understand that reply would require an earnest examination of the Emperor's part in all the German history of

the period. Yet a wide glance at general results seems to reveal the Emperor as a great and capable administrator. He has chosen, as he must, all his chancellors and ministers since Bismarck. He has decided promotions for the higher grades of every division of the national service during his reign, now (1913) in the twenty-sixth year: ambassadors abroad, educators, army and navy commanders, judges of appeal, the supervisors of the Lutheran Church, and the thousand other appointees in the higher levels of the public services. The government official of Germany appears incorruptible, trained, efficient, progressive. He usually does his work amazingly well.

Being the deciding voice in political matters in Germany, the Emperor has been related directly with all imperial and Prussian policies which have made the German people powerful in this quarter-century. Had he been indolent, in the hands of unscrupulous favorites, cynical, or stubbornly wrong-headed, he could have hindered, possibly wrecked, the national progress. He has had to resist the military party at various crises, the ultra-conservative representations of able advisers in domestic politics, and the intrigues of ambitious statesmen who have sought to undermine the premier ministers. The Emperor's

intelligence, his love of honest dealing, and the restraint of his personal habits have saved him from many a danger. No one who has observed the way in which any important public question is decided in Germany can doubt that he is the ruler and that his mastery is not nominal merely, but actual.

It is difficult to detach a man from his setting and estimate him from what he would appear to be as an isolated unit. Such an examination would overlook indeed the meanings that are to be discerned in functions and relationships. One sees the German Emperor in a splendid setting, the first citizen in one of the three or four most powerful societies of the earth, using his political leadership for the well-being of masses yet contending valiantly for the principle of monarchy against the deep currents of the age. The common judgment of men who have met him, when they have discussed him privately, is that quite incognito the German sovereign would be taken for an individual of remarkable force and charm, whether one met him casually in a parlor-car going west, in the club smoking-room, catching trout along a country stream, or in a sitting of geographers discussing polar exploration. The constant effort of the Emperor's visitors is to

conceive what he would have been in private life without vast inherited opportunities. Measured by his aptitude for knowledge and work he would probably have been distinguished in any calling that he might have entered, that of the sea, engineering, forestry, or any line of public service.

XI

SOME REFLECTIONS ON THE GROWTH OF THE GERMAN NAVY

GERMANY has philosophers and lovers of mankind who, believing in the unity of the race, would that nations should arrange a permanent peace and accept in a spirit of fair play decisions of umpires when governments do not interpret alike the principles of international justice. The idea of war, because the military organization of the country directly affects every home and family, is more distressing in Germany probably than in the United States or in Great Britain. England has not been invaded in force during eight and a half centuries. Merely the historic memory of Napoleon's preparations for invasion causes a feeling of relief and thankfulness that they failed. Germany has had a different and a terrible national experience, which is ever in the background of consciousness when war and policies pertaining to war are discussed. The child in school cannot avoid learning from the primer history that

the population during the Thirty Years' War sank from 22,000,000 to 6,000,000. From times that were remote when Columbus discovered America, war has swept Germany during nearly every generation excepting the periods following the military revival of Prussia, which contributed to the overthrow of Napoleon, and during the forty-two years of peace since the end of the French war and the unity of the German states. German cities have been sacked within a century.

Grimmelshausen's classic "Simplicius Simplicissimus," a romantic narrative of the Thirty Years' War, of the brutalities, insensate cruelties, plunderings, and ravishings of the period, has sunk into German sensibilities as deeply as did "Uncle Tom's Cabin" into the feelings of the North before the Civil War. The Germans of to-day bear a weight of armaments to escape the vivid terrors of the past and to feel that fine sense of security unknown to their ancestors. The thought and the immense labors bestowed upon preparedness for war are reactions from the sufferings of the past.

Preparations for war, in the spirit in which the German looks upon them, grow in what seems a human and a reasonable manner from a

body of political thinking derived from the national experience, and not essentially different in regard to the use of force from that of other great civilized peoples.

Emperor William decided during the period following the Krüger telegram that Germany ought to have a navy of evident power if the country were to be secure from foreign resentment and threats out of proportion, in the German view, to the cause of offence. It is not necessary to determine the political wisdom of the Krüger telegram or whether the reception of it in England was justified by its contents. It does seem essential, however, to understand in outline an event in which is to be found the seed of the great efforts Germany has put forth to create a navy and which she continues to put forth.

The German Foreign Office, on the eve of the Jameson raid, had received a petition by cable from German residents in Pretoria for a guard from a German war-ship at Delagoa Bay to be sent to Pretoria for their protection. President Krüger some time previously had asked German promises for aid against Great Britain should there be war and he had been refused, although unquestionably the German people took the

Boer side of the controversy. The news that the Transvaal Government had engaged and defeated the Jameson raiders gave the Emperor occasion to send President Krüger the subjoined despatch published in *The Imperial Gazette* of January 3, 1897:

"I express to you my sincere congratulations that, without appealing to the help of friendly powers, you and your people have succeeded in repelling with your own forces the armed bands which have broken into your country, and in maintaining the independence of your country against foreign aggression."

The Times correspondent, in telegraphing the news, said:

"This telegram must not, however, be taken as merely an expression of the Emperor's personal feeling. It was drawn up at the Chancellor's palace where the Secretary of State for Foreign Affairs Baron von Marschall, the Secretary of the Imperial Navy Admiral Hollman, and others had been summoned by Prince Hohenlohe to confer with the Emperor. It assumes, therefore, the character of a state document of the highest importance, the more so as it contains an unqualified recognition of the independence of the South African Republic."

The publication of the telegram moved the people of Great Britain far more deeply than did the Venezuelan message of President Cleveland a few weeks earlier. The British Government began instant preparations for war. *The Times* of January 8 published under triple head-lines — an unusual device in those days — nearly a column announcement, beginning as follows:

"NAVAL PREPARATIONS

A Flying Squadron Formed

Ships Ordered to Delagoa Bay

"Orders have been sent to Portsmouth, Devonport, and Chatham for the immediate commissioning of six ships to form a flying squadron, and it is understood that the captains to command these ships have already been chosen. The object of this move is obviously to have an additional squadron ready to go anywhere which may either reinforce a fleet already in commission, if thought desirable, or may constitute a separate force to be sent in any direction where danger may exist."

The Times began a column editorial on the subject with: "The country will learn with satisfaction that the augmented naval preparations

which we advocated yesterday have been taken in hand with vigor and promptitude." The editorial concluded with a reference to the "pretension of the German Emperor to tear up our treaties at his pleasure." *The Times* on the following day announced that special preparations were in progress for mobilizing a portion of the reserve fleet, and that pressing orders had been issued to hurry the refitting of other ships. Emergency military preparations also had been ordered by the government. Commenting on explanations and the avowals in Berlin that no unfriendly act had been meant by the Krüger telegram *The Times* said:

"The official and semi-official press of Germany, which a week ago could not find language picturesque enough to reach the height of its great resolves, is now roaring as gently as any sucking dove."

The British Government's naval preparations continued. A special flotilla of torpedo-boat destroyers for service with the Channel and flying squadrons had been placed in commission. The attaching of destroyers to the squadron indicated, were such indication necessary, that they were to be employed within short cruising distances. Two thousand men were working extra

time at Portsmouth, and the activity in the Chatham dock-yards was described as "unprecedented."

The foregoing gives something of the British Government's dispositions to resent by arms the action of the German Government, or, if that were not designed, to impress upon Germans their helplessness on the sea in the presence of British hostility. The attitude of the German Government within twenty-four hours after the Krüger telegram was to explain to England and the world that no offence had been meant. Such explanations were conveyed officially and elaborated upon in the German press. The British preparations were regarded with considerable astonishment, then with apprehension, and finally with a sense of abasement. The British admiralty's activity continued for some days after Mr. Balfour had announced in the House of Commons on January 16 that no foreign power disputed the British view of the relations with the Transvaal.

The conviction in Germany was that the British Government had taken an opportunity to humiliate the German sovereign and the German people. The naval preparations were regarded as in no other light than a threatening demonstration out of proportion to the significance of the

telegram sent to Krüger. Had good-will been applied to the interpretation of the despatch it might have been taken as an ill-judged, though harmless, expression of sympathy. The German feeling was that, had Germany been a sea power and in a position to engage Great Britain — even on unequal terms — the British way of receiving the telegram would have been different, and that, instead of flying squadrons and special flotillas of torpedo-boat destroyers for service with the flying and the Channel squadrons, there would have been an acceptance of German assurance that no ill-will had been intended. Germany had in that year something more than 1,500,000 tons of ocean-going shipping. Her investments abroad amounted to $3,000,000,000. Her trade extended to most parts of the world, and her ambition for an expansion of her foreign commerce and her dividends from undertakings in foreign countries was limitless. The government saw this fabric of foreign enterprise exposed to destruction. Political writers in Germany had treated of Germany's need for a navy since the empire had been formed. The strategists in the general staff under the initiative of Field-marshal von Moltke had prepared theoretical studies of the correlation of land and sea forces in war. In a war with Russia — the great neighbor whose

immense potentialities rested heavily upon the imagination of the Germans until the Russo-Japanese war — the fleet could be employed with advantage in closing the Russian Baltic ports, in landing troops in great force either near Saint Petersburg or at any intermediate point whereby operations threatening the rear of Russian armies on the German frontier could be executed.

The Emperor had read and had been impressed by Captain Mahan's "The Influence of Sea Power on History." A naval officer of distinction has told me that Captain Mahan's book had as much to do with the building of the German navy as any other single influence. Certainly it was evident that the power of Germany could not be used beyond where German troops could march unless a navy of considerable strength existed. The exposed position of German commerce, the problem studies of the co-operation of the land and sea forces in war, the Emperor's personal convictions on the subject of a navy, were the latent forces released into full activity by the consequences in England of the Krüger telegram. The United States, Italy, and France had begun from five to fifteen years earlier to expand their navies.

The first German naval programme was ready by November 10 of the same year, 1897, and was adopted by the Reichstag the next spring. The strategists, however, were convinced that a small navy was scarcely better than no navy, that any navy must be sufficiently large to be taken into account by Great Britain or any other power as a serious adversary, were war to take place.

While these discussions were going on, the German mail steamer *Bundesrath* was seized by a British cruiser off the East African coast on suspicion of carrying contraband. The seizure caused high feeling in Germany and was the occasion of a good deal of arrogant talk in England, where German sympathy for the Boers was resented. The *Bundesrath* was presently released. The incident and the feeling it provoked on both sides of the North Sea gave the second push to the German navy. The programme of 1900 was resolved upon. The key idea as set forth in the preamble is that "Germany must possess a battle-fleet so strong that a war with her would, even for the greatest naval power, be accompanied with such dangers as would render that power's position doubtful."

While the German naval promoters have never

planned for a navy equal to that of Great Britain, they do work for a navy that would make the British Government hesitate to attack Germany under avoidable circumstances and that would suggest a civil attitude should the two governments have different policies upon a subject of mutual interest. German naval plans leave to Britain superiority on the sea, but not such a superiority as leaves German shipping, the sprinkling of German colonies, and immense German investments in other countries defenceless. Instead of a proportion of seven to one, which represented the ratio of naval strength on the morning the Krüger telegram was sent, the proportion when the German projects are completed is likely to be about three to two in favor of Great Britain. Although the British position on the sea is immensely changed thereby, the security of the British Islands can hardly be endangered. Should Great Britain consider that the national security requires more ships, she will probably build them. She cannot retain an overwhelming superiority upon the sea without building ships. The weakness of the suggestions for limitation by agreement made in England is, that they always imply that Great Britain would be willing to enter into an arrangement with Germany on the permanent principle of British naval

policy — that Great Britain shall have a navy as large as any two other powers. Englishmen ask that Germany should undertake to confirm by treaty Britain's supreme position on the sea. The impossibility of a nationally young, growing, ardent, self-confident people such as the Germans entering into an agreement of that kind makes the suggestion seem queer when looked at from the Continent. No British statesman has ever mentioned a willingness to consider a limitation of armaments except upon the fundamental idea that Britain retain her existing vast preponderance on the sea. The discussion of limitation upon that basis does not seem a futility in England; in Germany it is regarded as verging upon impudence.

The elder Pitt, in the middle of the eighteenth century, laid down the principle that the safety and prestige of Great Britain lay in a balance of power on the Continent, that England could not suffer any power to become paramount on the mainland. Therefore France, the great military power on the Continent, was the enemy of England. Pitt made headway against France by alliances on the Continent, crippled her through the aid of Frederick of Prussia on the land, defeated her at sea, and added the French colonies in India and North America to those of Britain.

France was again the enemy of England when Napoleon rose to supremacy on the Continent. For a century and a half the first aim of British foreign policy has been to promote an equilibrium on the Continent so that contentions there should leave her free in other parts of the world and should keep all powers in Europe seeking for the favor of England. Since the reduction of the Russian position in the Japanese war, Germany has become the predominant military state on the Continent. The aim of the British Government has been to arrange a system of ententes and alliances sufficient to hold Germany in check. Doubtful success has resulted. The first endeavor, to give Morocco to France without consulting Germany or trading with her, failed. The joint British and Russian efforts against Germany and Austria in the Bosnian-Herzegovinian annexations failed. Great Britain is being gradually excluded from a deciding influence on the Continent. If Germany had never built a ship nor sold a yard of cloth abroad, the political genius of British statesmen would have singled her out as the enemy of England because of Germany's immense and growing position on the Continent. The political policies of Great Britain are the ones that drive her into hostility

against Germany. Added to these are the trade competition, usually much exaggerated, and the rise of the German navy. Relatively British trade has not expanded so fast as that of Germany, but it is good and profitable, making the financial position of the United Kingdom still the first in Europe.

The German navy is serious for Great Britain, not because the safety of the British Isles is endangered nor because Germany has any aggressive policy against her, but because the British political position throughout the world will be reduced by reason of the existence of the navy. That position has already been greatly changed by the rise of Japan in the Far East, of the United States in the Western hemisphere, of Germany on the continent of Europe. The British fleets in the East, on both shores of North and South America, and in the Mediterranean have been lessened to strengthen the fleets in home waters, so that Lord Roberts said in October, 1912, that the only sea on which the British fleet was master was the North Sea. The British naval forces will become further concentrated in ratio to the German construction. The prevailing strategical doctrine will require Great Britain to have at home a naval power sufficient

to engage on more than equal terms a fleet of 41 battle-ships and 20 large cruisers within one day's sail of her coasts.

The "relations" between Great Britain and Germany are in continuous discussion, that rises to a certain intensity when the British naval budget is debated in Parliament or when some European question bubbles. These "relations" are likely to sharpen in international importance until the German navy reaches its programme development, which will be between 1916 and 1918. I venture into the difficult field of conjecture as to the probable course of events. Ethical considerations will prevent the small war party in Great Britain from provoking war while the German navy is building. When the German navy has reached its programme maximum and nothing happens, because Germany will not throw her inferior navy against Britain, a long peace will probably follow in which suspicions and animosities will diminish. The British people will become accustomed to a certain diminution of their international position, but with an immense place in the world, a place constantly maintained, perhaps constantly increased, through their spiritual and intellectual contributions to mankind.

XII

THE PLAY INSTINCT IN GERMANY[1]

ONE of the first notions the foreign observer takes of the German at home is that he isn't much of a person to play. Tourists do not think of Berlin as a pleasure city. The recreative, the sportive, is not obvious. The theatre is for education. Music is for the cultivation of the emotions. Sport is for physical development. The constant note is the utility of the thing and its relation to the other parts of life. This is a consequence of the enormous trust the German puts in order, system, preparation, minute arrangements for doing things.

Life is a difficult business for most Germans. The thin soils, the crowded populations, the hard past of war and suffering which has left an entail upon the present, make the problems of a livelihood and of rising in the world more difficult than in France, England, or Italy. The pervading melancholy, the pessimistic suggestion, the

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subtle critical faculty of the highly educated, press upon the elemental play instinct and question its right to existence in a world wherein is so much to do and yet so little worth while. The urgency of the dominant practical spirit seizes on the disposition to play and harnesses it up to some form of social discipline or personal improvement. Philosophy gets into the games and even romping must be done thoughtfully.

The children at school are taught how to play. An instructor on the grounds during the recreation hour defines how the game of the moment should be played, corrects the manners of the overboisterous, and stimulates the weaker or more timid players into greater exertions. If a motion at play is not according to rule, it must be repeated correctly. That is, at least, the instructor's objective.

While watching the girls on a school-ground one of the first fine days of spring, I saw something of the German method of regulating youthful impulses. The busiest figure on the grounds was the young woman overseer.

"No, not that way, Trudchen!" exclaimed the instructress; "not that way. You must hold your hands so and be careful not to step on the

heels of Ottilie." Trudchen was a new-comer in the class, and was being taught how to play the German equivalent of "London Bridge is falling down."

As it seemed rather absurd to carry the spirit of the school-room into the smooth gravelled enclosure with its rectangles of trimmed grass and flower-beds on the margins, I said to the young woman, with whom, presently, I was talking:

"Why shouldn't children like these be free to do just as they please in the playground? Why should they be bothered, I might say cramped, by endeavors to train them at play?"

"I might reply," said the teacher cheerfully, "that my work in the play-yard is provided for in the regulations of the ministry of education, and that it is no affair of mine to question those regulations, but to carry them out. Yet the theory of supervision and instruction at play is, I believe, that anything worth doing at all is worth doing properly, and that the habit of learning the right way of doing a thing, even the way to play a game, leaves a beneficial impression on the receptive youth."

"Not much chance left for spontaneity or the unexpected."

"The unexpected usually means some rudeness

or thoughtlessness. The playground may be a place for teaching children right attitudes toward one another, of decency in language, and in unconsciously cultivating the conviction that there is a choice before every act of a correct or an injudicious way of performing it."

Probably a sound reply. One, at least, that is in the Prussian spirit, the spirit that has made modern Germany and that dominates the immense progressive organism that seems to be doing so much more collectively than the individuals appear capable of doing. The system, as a whole, seeks to fit the individual to his place like a brick in a wall. Only in the first two years at the university does the "system" provide for doing as the young man pleases, for the indulgence of impulse and the unchecked expression of the sporadic.

But the resilience of the human, the reaction against the fine-webbed social process, gives the German a fine power of enjoyment when his duty has been done. He gives himself fully to the pleasure of the hour without that self-consciousness that often makes the American feel that he is acting foolishly if he abandons himself to the spirit of a jolly occasion. It does the Anglo-Saxon good, or ought to, to see the Ger-

man professor out for an evening. The subjective and the critical are quite switched off, and the surrender to simple good-fellowship and play is complete. The emotional height to which Germans go in the appreciation of music is a release from the pervading orderliness of life.

The passion of the town-dweller for the country, the town-dweller of modest income, causes the large towns and cities to be encircled with what look like the shanties of squatters in the West. Around Berlin are zones of open fields divided into tens of thousands of plots of fifteen to twenty yards square, often larger, which are let for the summer to people of the city.

Each rectangle is a miniature country-place. The skilled workman, the small storekeeper, the professional man of moderate income rents one of these little farms and builds a tiny house upon it. He is expected to build this house himself, and it is considered bad form to call in carpenters or professional help. The materials, it is true, are usually bought with the frames joined and the various parts ready to be put together. Acquaintances and friends often have adjoining estates, and they help each other in house-building, pioneer fashion. The design

and creation of these odd structures is often studied by architects of reputation for suggestions in originality and beauty. Since the shanties are the expression of minds usually ignorant of conventional architecture, they are unconstrained and have the adaptation to ends that serve as the seed ideas for greater designs. Two hundred dollars spent on a house would be extravagant, and the building, with spring repairs, lasts for years.

The mother or the maid takes out the children in the morning or after the mid-day meal. The father joins the family as early as he can leave his work. They have a cold supper with tea or coffee or beer, and spend the long twilights of the northern parallels in the open air. The little plantation will have a vegetable patch, a flower-bed, and perhaps a swing or a doll-house.

I know nothing like this in other countries. There must be a hundred thousand of these improvised villas in the environs of Berlin, each the fresh-air base of a family, plot set on plot with footways between, in groupings called arbor colonies. It is said as a political pleasantry that these are the only successful colonization projects of the empire.

The people who cannot go away for long to the

sea-shore or to the mountains find in these daylight settlements that contact with green things and sunshine and air mean health of spirit and reconciliation to the arid life of the city. The jangled spirits of the factory or shop-driven employee are quieted and rested and tonicked up for the battle of the next day. The mental effects on the grown people are as obvious as the health and fun that the children get.

The German nature-cult apart from sport has a deeper influence probably upon the whole nation than among any other people. School-children are taken into the country one or two days every week by one of the teachers and taught the names and the meaning of things they see. Troops of boys and girls, each with a lunch-box or knapsack, walk for miles into the country, through the public forests, learning the names of the plants, the animals, and the birds, how they grow, the simple outlines of mineralogy, and the components of the earth. The children have a fine day in the open air, and gradually learn to understand and to love the fields and the woods.

The habits last through life. The American motorist in Germany comes across the adult everywhere on the tramping excursion. The German fifty years old, often of stout figure, will do

his thirty or forty miles a day walking and think nothing of it.

The walking honeymoon is a custom. Young couples who prefer to keep their money or who haven't any for a wedding trip by train, swing knapsacks over their shoulders on the wedding day and set out for a week's tramp, stopping overnight at the roadside tavern. A story is told in the Bavarian Alps of the gloomy young man whose extreme melancholy at the village inn caused sympathetic inquiries. He confessed that he had been married the day before to the belle of the village and, as they didn't have means for both of them to take a wedding trip, he had been obliged to tramp alone.

The principle of utility in training the youth into material for a good soldier and into a subject who will be qualified to contribute to the collective good of the state, inspires the German gymnastic system, the system which American turners at the great Frankfort tournament three years ago found to be unconquerable. The American or the English athlete, because of the development of his individuality under different school and social conditions, will not surrender himself unreservedly into the hands of the instructor. He thinks he knows better how the

exercise should be taken and the feat performed than the instructor, that the instructor's method is all very well for other persons or very good for the average pupil, but that he knows better how he should do the thing. The German does the exercise as he is taught, machine-like possibly, but with highly trained precision. The team work is excellent. Germany, outside the schools, has 8,000 gymnastic clubs with 902,000 men in them.

The cherry trees are now in bloom at Werder, a village and district about ten miles from Berlin. The newspapers have been publishing bulletins for days regarding the progress of the buds and speculating on the days they would be at their perfection with somewhat the same earnestness as the betting chances on the Futurity are calculated. The Emperor and the Empress have been to see them, and on the same day there were probably a quarter of a million Berliners.

APPENDICES

APPENDIX A

NOTES ON THE COMPULSORY INSURANCES OF GERMANY

THE systems of imperial insurance in operation since 1884 had their origin in the famous rescripts of Emperor William I of November 17, 1881, and April 14, 1883. All legislation on the subject, with many additions and modifications, was codified into a single statute, that of July 11, 1911. It is the most voluminous law of the German Empire, with the exception of the civil code, and is set forth in 1805 numbered paragraphs, some of them pages long and grouped into six books or chapters. This act extended invalid insurance to widows and orphans and increased the payments to beneficiaries by raising the weekly contributions. The Socialists had criticised previous laws chiefly on the ground that they did not yield sufficient results to make them worth while.

The insurance is developed in three ways, according to whether the insured is (*a*) temporarily ill, (*b*) injured by accident, or (*c*) enduring prolonged incapacity or old age. The work in all these varieties of insurance goes far beyond the payment of money to the persons eligible. Numerous hospitals are built, particularly homes for the cure of consumption in the earlier stages. Physicians, medicines, and dentists are provided. Inebriates are placed in institutions. Extraordinary progress has been made in

the treatment of injuries by surgeons studying under the insuring authorities. These authorities are more directly co-operative societies or companies. Both forms of organization are under government control. The managers are chosen for four years by employers and employed on a basis of proportional voting. Women are entitled to vote and to be elected to the management. Membership on the managing boards may not be declined except for certain specific reasons. No salaries are paid. The expenses of members while discharging duties are allowed and claims for lost wages are considered. The managers and boards for localities work under the branches of the imperial insurance office. This supreme authority consists of 32 permanent or so-called standing members and 32 others. The standing members are appointed by the chancellor. The president and other officers are named by the Emperor. Of the non-standing members the federal council elects 8, 6 of whom must be members of the federal council, the representatives of the insured 12, and the representatives of the employers 12. The 64 members of the imperial insurance office work through committees or senates composed of 7 members when deciding insurance controversies, or 5 members when disposing of other business. Claims for insurance are lodged first with the co-operative or the insuring company, then, if denied, upon appeal to the local branch of the imperial insurance office. In the case of an injured workman, the employer makes application for insurance. An investigation follows. If the decision is adverse or the workman is dissatisfied with the indemnity, he may appeal.

(1) Sick insurance is obligatory upon all persons working for wages of not more than twenty-five hundred marks a year. The law of 1911 extended the application to laborers working on irregular or short contracts in agri-

culture, migratory workmen, workers at home, and unpaid apprentices. Payments to or for the sick are graded according to wages. Help during illness is given during a maximum of 26 weeks, whereafter, should the illness continue, the charge is taken over by the invalid department. Insurance aid consists of medical treatment, medicines, minor requisites, and, from the fourth day of incapacity, a money payment equal to one-half the wages previously earned. Treatment in hospital may be substituted by the authorities for money payments, although in that case half the wages in cash may be paid to the dependents of the head of the family. Payments for lying-in are limited to from four to eight weeks. Twentyfold the daily wage is paid for burial expenses on the death of the insured person.

The premiums are percentages of wages earned. They do not, as a rule, exceed four and one-half per cent. The insured pays two-thirds and the employer one-third. The employer must see that the payments are kept up; and if he pays them, he may deduct from the wages of the employee the percentage due from him.

(2) Accident insurance is divided into three classifications — industrial, agricultural, and marine. There was a special class for the building trades, but the new law incorporated them with the industrial.

(*a*) *Industrial.* The sphere of this class was extended by the new law to take in callings not hitherto included. A factory, in the sense of the law, is any manufacturing concern with a minimum of ten employees. Workmen in every manufactory earning five thousand marks a year or less must be insured. The limits are now drawn widely to take in government enterprises, such as the postal, the telegraph, and the railway services; chimney sweeps, butchers, bath-house attendants; livery-stable, street-car,

and other transportation employees; apothecaries, timber-cutters, raftsmen, and all persons engaged in establishments with steam, electrical, or other mechanical power. Artisans working for themselves are admitted, and sub-managers earning less than five thousand marks a year.

The insurance covers losses through accident or death. Claims are not valid for injuries incurred intentionally or in the commission of punishable offences. Accident insurance begins with the fourteenth week after injury. Previous to that time the patient is a charge upon the sick insurance. Assistance is in the form of medical treatment and an annuity during the period of incapacity. Treatment may be given in a hospital or in a convalescents' home. The annuity amounts to two-thirds of the yearly earnings in case of total disability, graded downward from that according to the degree of incapacity. In some cases of total disability the annuity may be raised to the full amount of the wages received at the time disability began. Where the insured is killed, his widow and orphans (including illegitimate children) receive one-fifteenth of his yearly earnings, cash down, for burial expenses, and each dependant receives an annuity of one-fifth of his wages, but all of them together may not receive more than three-fifths of his wages.

The premiums are paid by the employers, the charge being pro-rated upon the wages earned. The associations of employers, formed under provisions of the law, arrange a tariff among themselves, under government supervision, calculating the danger risks in different sorts of work. The premiums paid by the employers are assessed accordingly. The imperial insurance office appoints technical inspectors whose duty it is to see that all regulations protecting workingmen from danger are enforced. The insurance office also appoints experts with the right to

examine the books of employers in order to ascertain how wages are paid and the amounts.

(*b*) *Agricultural.* Employees in this class are not farm hands only in a narrow sense, but also gardeners, foresters, workers in land-improvement operations, repairers of buildings, and employees in all callings subsidiary to agriculture. The employers pay the premiums under somewhat the same regulations as those controlling employers in industrial enterprises. The payments in some states, such as Prussia, are collected along with the ordinary taxes.

(*c*) *Marine.* The payments in this class are paid by employers according to the monthly average wages, not yearly, as in the other classes. All persons are compulsorily insured sailing the high seas or employed upon shore or near-shore duty, such as piloting, fishing, wrecking, life-saving, and docking.

(3) Invalid and widows' and orphans' insurance under the law of 1911 is paid, one-half by the imperial government, one-quarter by the insured, and one-quarter by the employers. The funds are so handled that they are sufficient to pay pensions to invalids, to persons beyond the age of seventy, and to widows and orphans of insured heads of families. A feature of the new law that causes strong opposition in sections of Germany where there is the greatest prosperity and the highest wages is that half of the sums collected in premiums are diverted into a general fund, the revenues of which are applied evenly throughout the empire.

All persons more than fifteen years old receiving wages must be insured, including master-workmen, druggists, members of theatrical troops and orchestras, teachers and tutors, whose earnings do not exceed two thousand marks a year. Insurance is optional with persons receiving more

than two thousand and up to three thousand marks. Servants of the empire or of any state are excluded from this insurance, as they are provided for under the government-pension system for civil servants. The pension of a widow is cancelled if she remarries.

Insurees are divided into five wage classes and the weekly contribution amounts to 16, 24, 32, 40, and 48 pfennigs respectively, divided between the employers and employees, the empire adding an amount equal to that paid by both employers and employees. The insuree pastes stamps upon a card each week. He may at any time add on his own account an additional stamp of one mark. These supplementary payments draw interest at two per cent and the revenues are added to the insuree's ultimate pension.

An additional system of insurance is provided by a law of December 20, 1911, for insuring employees of all kinds not included in the systems already described receiving salaries up to five thousand marks yearly. This law is designed to take care of office employees, clerks, and a variety of minor help in enterprises of every kind who could not be classified under the workingmen's insurance. Pensions under this law for old age begin at sixty-five and annuities are paid to widows and orphans after payment for ten years by men and five years by women. The insurees are classified in nine grades, according to the salaries received, and the monthly contributions range from 1.60 marks to 26.60 marks. The premiums are paid half and half by insuree and employer.

APPENDIX B

PROGRAMME OF THE SOCIAL-DEMOCRATIC PARTY

The subjoined declaration of principles, adopted at the National Convention of the Social-Democratic party at Erfurt in 1891, has remained unchanged;

The economical development of the monied class brings as a natural consequence the ruin of the small industries which are based on the possession by the workman of the implements necessary for production. It deprives the craftsman of his implements of production and transforms him into a person without property whilst the implements of production become the monopoly of a comparatively small number of capitalists and great land-owners.

Hand in hand with such a monopolization of the implements of production we see the supplanting of the small scattered industries by huge industrial establishments, the development of the tool into the machine, and a gigantic increase in the productive capacity of human labor. But all the advantages of such a transformation are monopolized by capitalists and great land-owners. For the laboring classes and the declining middle class — for citizens and farmers — it means an ever growing uncertainty as regards their existence, ever increasing misery, oppression, slavery, abasement, and grinding down.

Ever larger grows the laboring population, ever larger the army of the unemployed, ever deeper the abyss between those who exploit and those who are exploited, ever more bitter the struggle between the classes which sepa-

rates modern society into two hostile armies, that of the capitalists and that of the laboring classes, and which is a characteristic of all manufacturing countries.

The chasm between the proprietors and the working class — those who possess and those who are deprived of all means — being still more widened by the crises resulting from the very nature of the capitalist's methods of production, these crises grow persistently more extensive and more destructive, raising the general uncertainty to the rank of a normal condition of society and proving that the productive forces have outgrown modern society and that private possession of the means of production has become incompatible with their appropriate use and full development.

Private possession of the implements of production, which was formerly a means of assuring to the producer the ownership of his produce, has now become a means of expropriating farmers, artisans, and small tradesmen and putting the non-working—capitalists and great land-owners—in possession of that which is produced by the workers. Only by transforming capitalized private possession of the means of production — such as land, mines, raw materials, tools, means of communication — into collective possession and by making the production of goods a socialistic production carried on for and by society can it be possible to bring about a change whereby the big industry and the ever growing productive capacity of co-operative labor can become the possession of the classes hitherto exploited, and be transformed from a source of misery and oppression into a source of the utmost prosperity and all-round harmonious improvement.

Such a social reform means not only the liberation of the laboring classes but that of the whole human race, which suffers under the present conditions. But this reform

can only be undertaken by the working class, because the other classes, in spite of their competing interests, all stand on the ground of private possession of the means of production, under which plan the maintenance of the bases of present society is of great importance.

The struggle of the working class against capitalist exploitation is necessarily a political struggle. The working class cannot carry on its economical struggle and develop its economical organization without political rights. It cannot transfer the means of production from the few to the possession of the whole of society without having obtained political power.

To give unity to this struggle of the working class, to cause it to be realized, and to point out its natural and inevitable goal — such is the task of the Social-Democratic party.

The interests of the working classes are identical in every country which has capitalistic methods of production. With the extension of the world's market, the position of the workmen in each country is constantly growing more dependent on the position of the workmen in other countries. The liberation of the workmen is therefore an undertaking in which the workmen of all civilized countries have an equal interest. Knowing this, the Social-Democratic party of Germany feels and declares itself to be *at one* with all workmen loyal to their class in other countries.

The Social-Democratic party of Germany struggles, therefore, not for the acquisition of new class privileges and prerogatives, but for the abolition of the supremacy of classes, as well as of the classes themselves, and for equal rights and duties for all without distinction of sex or birth. Starting from this point of view, the party combats in the present society not only the exploitation and

oppression of the salaried workers, but also every other kind of exploitation and oppression, be it of a class, a party, a sex, or a race.

Starting from these principles the Social-Democratic party of Germany demands, first of all:

(1) A general and direct right to elect and vote with the secret ballot, for every member of the empire over 20 years of age irrespective of sex, for all elections and ballots. A proportional electoral system; and, until the introduction of that, a new legal division of the election district after every census. Legislative periods of two years' duration. Elections and ballots to be held on legal holidays. Salaries for elected representatives. Abolition of every restriction of political rights except in the case of loss of civil rights.

(2) Direct legislation by the nation by means of the right of proposal and of rejection. Self-government of the nation in empire, state, province, and municipal body. Election of authorities by the people; responsibility of the authorities. Annual tax assessments.

(3) General preparation for bearing arms. Militia in place of permanent armies. War and peace to be decided by the representatives of the nation. Settling of all international conflicts through arbitration.

(4) Abolition of all laws restricting or suppressing the free expression of opinion and the right of association and meeting.

(5) Abolition of all laws which prejudice woman's public or private rights as compared with man's.

(6) Religion to be declared a personal matter. Abolition of all expenses out of public funds for religious or church purposes. Church and religious bodies to be considered as private associations having absolutely independent control of their affairs.

(7) Secularization of the schools. Compulsory attendance at the public common schools (Volksschulen). Instruction, books, and food in public common schools, as well as in the higher-education establishments for those pupils, both male and female, whose capacity proves them worthy of further education, to be gratuitous.

(8) Proceedings at law and legal assistance to be gratuitous. Judgment by judges elected by the nation. Appeal in criminal cases. Indemnification for those who, being innocent, are accused, arrested, or condemned. Abolition of capital punishment.

(9) Gratuitous medical help, including midwifery and medicine. Gratuitous burial expenses.

(10) Graduated increasing revenue and estate taxes for payment of public expenses, in so far as the latter can be covered by taxes. Graduated inheritance tax proportioned to the amount of inherited property and the degree of relationship. Abolition of all indirect taxes, custom duties, and other similar measures by means of which the interests of the mass are sacrificed to the interests of a privileged minority.

For the protection of the working class the Social-Democratic party demands, first of all, the following:

(1) An effective national and international legislation for the protection of workmen on the following bases:

(*a*) The establishing of a working-day of 8 hours' maximum duration.

(*b*) Prohibition of trades labor for children under the age of 14.

(*c*) Prohibition of night work except in such branches of industry the very nature of which, either for technical reasons or reasons of common welfare, necessitates night work.

(*d*) An uninterrupted rest of at least thirty-six hours in every week for every workman.

(*e*) Prohibition of the truck system.

(2) Supervision of all industrial establishments, study and regulation of the conditions of work in town and country by a national labor bureau, district labor offices, and labor chambers. Thorough industrial hygiene.

(3) Legal equality of country laborers and servants with industrial laborers; removal of regulations concerning servants.

(4) Security of the right of coalition.

(5) Transfer of the entire workmen's insurance to the state under effective co-operation of the workmen in the management.

APPENDIX C

WILLIAM II AND AMERICANS

SOMETHING responsive in the American temperament, something uncalculating and light-hearted, appears to attract a monarch living in a hot-house atmosphere, served by the solicitous courtier, meeting usually, when he does meet foreigners, diplomatists and statesmen who do not lay aside the mask even with so candid a personality as the Emperor, and with him perhaps least of all because they are deep in the great political manœuvres of the Continent, futile and yet so absorbing. The American seems to bring fresh air and thoughts less worn than those commonly served up to him by the experienced in dealing with kings. He finds refreshment in turning aside from the preoccupations of administration and politics and seeing how old questions look to the transatlantic observer remote from the divisions of German thought, who can expect nothing except an interesting hour.

The only American of distinction who has been refused an audience with the Emperor is Mr. William J. Bryan. This came about through Herr von Tschirschky, then foreign secretary, now ambassador at Vienna. The Emperor probably never knew of the refusal. Herr von Tschirschky was informed by the American ambassador that political rivalries in the United States did not extend to social relations, and that, instead of being annoyed should the Emperor receive Mr. Bryan, the President would no doubt be pleased. But Herr von Tschirschky would not take the

risk of recommending to his Majesty an opponent of the President's. The episode indicates the way a European statesman looks upon opposition to the administration. Herr von Tschirschky once rather complainingly remarked:

"It seems to me that most Americans who come to Berlin want to talk with the Emperor."

"Yes, of course they do," replied the American ambassador. "Every American feels that the Emperor belongs partly to him."

It has been often something like a game between the Emperor and his own appointees, the Emperor desiring to meet interesting people freely and those around him raising difficulties.

When the Emperor talks of American things he does so with a full knowledge of the country, its government, population, topography, railways, and political and social perplexities. He idealizes all and sees the United States in their potentialities as Americans do. This ardor of appreciation in so convinced a monarchist indicates the mental breadth of the Emperor as a man and his faculty of projecting himself with sympathetic insight into a national system so sharply different from that of Germany. The Emperor, in an endeavor to realize his conviction that Germany and the United States may learn more from each other than from other countries, has caused the government to send about eighty representatives of the public services to America to study specific questions, such as cotton culture in the South, railway organization, education, factory efficiency, and horse-breeding.

Since the unfortunate incident in Manila harbor between Admirals Dewey and Diederich, the German Government, and that is to say the Emperor, in general foreign policy has taken the initiative in acts of good-will toward the United States. This has not precluded the gentlemen of

the foreign service from being tenacious negotiators whenever differences concerning trade have arisen between Berlin and Washington, but they are presumed to bear in mind always the Emperor's determination to allow no controversy that might stir national passion to disturb relations which are meant to grow into something much more than "correct." Various thought-out considerations support this consistent attitude. They may be mentioned in what seems to be their order of importance.

First. The imposing strength and detached position of the United States recognized by all powers, though somewhat more clearly perhaps by Germany than by any other except Britain.

Second. The desire of British statesmen since the early nineties to have a cordial co-operative understanding with the United States. This desire in England has grown stronger gradually and steadily and has been taken into account by German statesmen. They believe that the American people would be as ready as any other to form an alliance for a temporary object should the need arise. The German Government does not expect to form an alliance with the United States as an instrument in European politics, but it is of decisive importance to Germany that the United States and Great Britain should not form a close political understanding. Germany would, therefore, hesitate to the last degree before taking an open positive position against the United States in China, in South or Central America, in Liberia, or in any part of the world. The only possibility of her doing so would be some compelling reason in Europe, and such a contingency appears beyond probability. The European equilibrium must constantly occupy the thoughts of German statesmen. Germany is strong, but she has two powerful enemies and even her friends and allies are jealous of her. Conse-

quently she has no strength to employ in distant parts of the world. Even the diversion of three or four army corps in some South American adventure, might place her in deadly danger. She must keep her strength on sea and land intact for use in Europe, while her diplomacy must contrive to prevent isolation. Germany simply expects from the United States that they shall remain aloof from the controversies of Europe, and that the American people shall have openness of mind toward Germany, so that they would judge neutrally the merits of any dispute in which Germany might be engaged in Europe.

Third. The United States might join in the financial mobilization of Germany. The United States is reckoned upon to share in financing the great war in expectation, always, of course, for a profit. Should Germany be at war with England and France the money markets of London and Paris would be closed against her. Neither Vienna, nor Rome, nor Saint Petersburg has much money to lend, and the nations of which those cities are capitals might also be allies of one side or the other in the war. Germany would have against her two of the richest peoples in the world. The only other rich people are the Americans, looked upon as bold investors and speculators. They would be expected to grasp the financial bargains the Germans would be able to offer them. They would take them all the more readily if they had good-will toward Germany and confidence in German character and German soundness.

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